

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This prospectus constitutes a public offering of these securities for sale only in those provinces of Canada where a prospectus has been filed.

Of the common shares offered hereby common shares are being sold on behalf of shareholders of the Company and no part of the proceeds of sale of such common shares being sold on behalf of such shareholders will be received by the Company. Reference is made to "Principal Holders of Securities" on page 33 hereof for information relating to such selling shareholders.

New and secondary issue

I.O.S., LTD.

(Incorporated under the laws of Canada)

● **Common Shares**
(of the par value of 25¢ (United States currency) each)

TRANSFER AGENT AND REGISTRAR: MONTREAL TRUST COMPANY, TORONTO, CANADA

BRANCH TRANSFER AGENTS AND REGISTRARS: THE ROYAL BANK OF CANADA TRUST CORPORATION LIMITED,
LONDON, ENGLAND

Application has been made to list the common shares on the Luxembourg Stock Exchange and, following completion of this distribution, a listing application will be filed with the Amsterdam Stock Exchange.

VOTING RIGHTS

If the Company has in either of the two preceding calendar years paid a cash dividend of at least 1¢ per share or a stock dividend equivalent in value to at least 1¢ per share on each outstanding share of the Company,

- the holders of the preferred shares of the Company, voting separately and as a class, are entitled to elect $\frac{2}{3}$ of the directors of the Company, and
- the holders of the common shares of the Company, voting separately and as a class, are entitled to elect the remaining directors of the Company.

	Price to Public	Underwriting Commission*	Proceeds to Company†	Proceeds to Selling Shareholders
Per Share	\$ ●	\$ ●	\$ ●	\$ ●
Total	\$ ●	\$ ●	\$ ●	\$ ●

*In addition to the underwriting commission shown above, the Company is paying J. H. Crang & Co. an aggregate management fee of \$ ●, and the managers of the European and United Kingdom underwriters named below an aggregate management fee of \$ ●.

†Before deducting expenses of offering estimated at \$ ● payable by the Company.

Of the common shares comprising this new and secondary issue, shares will be offered in Canada by a group of investment dealers managed by J. H. Crang & Co., shares will be offered in Europe and the United Kingdom by a group of European and United Kingdom underwriters and shares will be offered to executives, employees, sales associates of the Company and other persons associated with the Company by Investors Overseas Bank Limited, a subsidiary of the Company.

We, as principals, offer these shares, subject to prior sale, if, as and when accepted by us. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates for these shares will be available for delivery in definitive form on or about October ●, 1969. At any time after November ●, 1969, holders of these shares will be entitled to exchange share certificates representing their shares for bearer share warrants representing their shares. Title to shares represented by such warrants will pass by delivery of such warrants.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

This is a preliminary prospectus relating to the securities, a copy of which has been filed with the Ontario Securities Commission but which has not yet become final for the purpose of a primary distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time a receipt is obtained from the Ontario Securities Commission for the final prospectus.

Total offering approximately \$120 million which represents 20% of 105 Ltd. Of the total approx \$15 million to be offered in Canada by a group headed by J.H. Crang & Co. Approx issue price \$10 - timing last week in September. Balance of issue to be done by a group of international underwriters in Europe and the UK.

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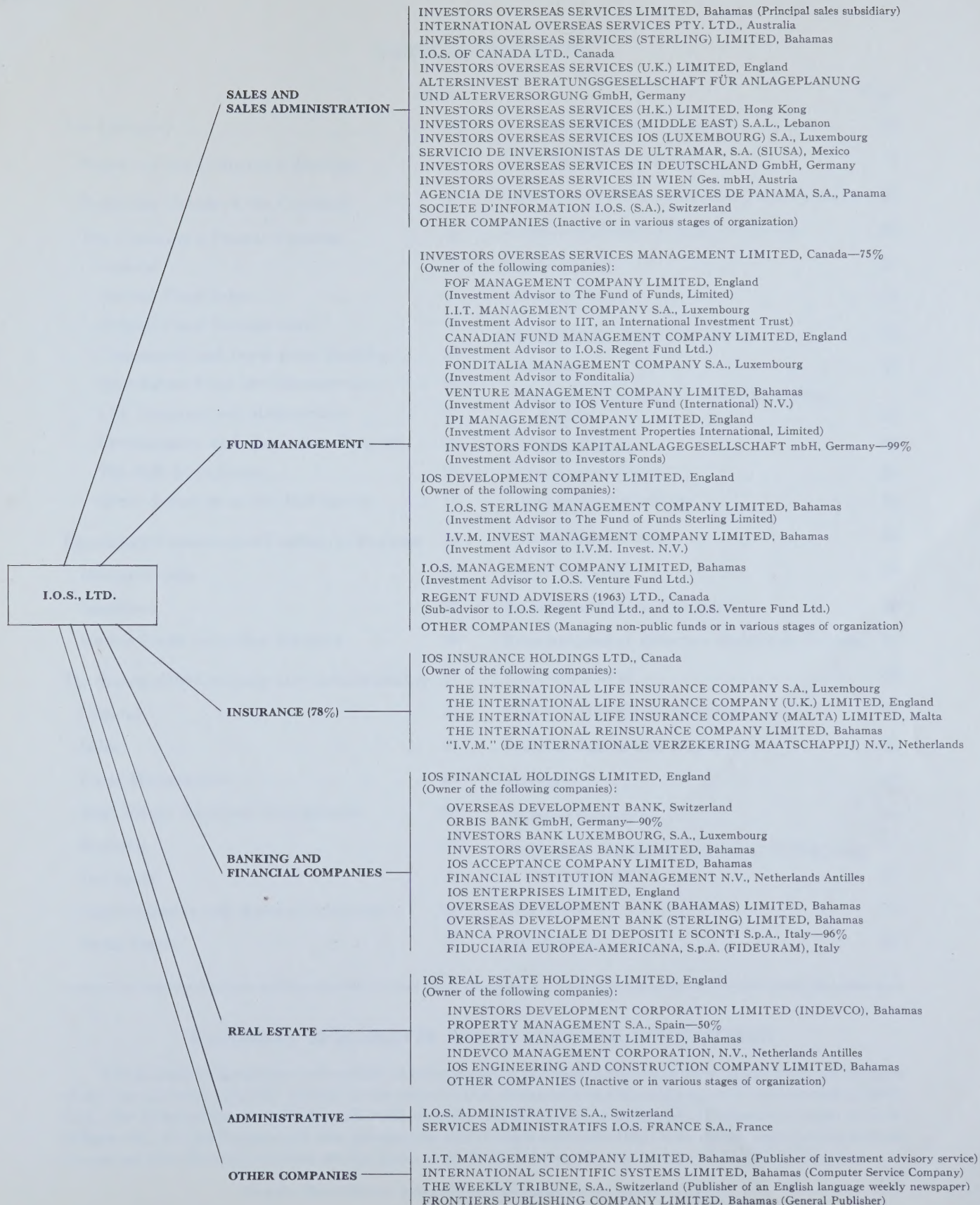


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FINANCIAL STATEMENTS AND STATISTICAL INFORMATION

The financial statements and statistical information contained herein have been taken from the records of the companies concerned. Except in the case of I.O.S. Regent Fund Ltd. and Regent Fund Advisers (1963) Ltd., the information contained in all such records, unless otherwise indicated, is stated in terms of U.S. dollars and, for the purposes of this prospectus, unless otherwise indicated, U.S. dollar amounts have been converted into Canadian dollars on the basis of \$1.00 U.S. being the equivalent of \$1.08125 Canadian.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

THE COMPANY

History of the Company's Business

The business now carried on by I.O.S., Ltd. (the "Company") was founded in Paris, France in 1956 by Mr. Bernard Cornfeld and at that time consisted of the distribution in Europe of shares of several United States mutual funds. In 1958, the executive offices of the business were moved to Geneva, Switzerland. On April 30, 1960, the business was transferred to I.O.S., Ltd. (S.A.) (the "Predecessor Company"), a Panamanian company all the shares of which were then owned by Mr. Cornfeld. In the brief span of 13 years the Company has expanded to the extent that The IOS Group now employs more than 3,000 executive and administrative personnel and retains more than 13,000 sales associates to service its more than 800,000 mutual fund investors, real estate clients, bank customers and insurance policy holders.

In 1961, the Predecessor Company sponsored its first mutual fund, a unit investment trust known as IIT designed to accommodate an international clientele. A year later, a second mutual fund named The Fund of Funds, Limited was incorporated by the Predecessor Company for the purpose of investing solely in securities of other mutual funds and mutual fund management companies. In 1963, the Predecessor Company assumed control and management of Regent Fund Ltd., then a small Canadian mutual fund. Since 1963, the Predecessor Company has sponsored seven new mutual funds, with the result that at July 31, 1969, the Company's business included the management of the investments and the distribution of the shares of ten mutual funds whose net assets totalled \$1,714,507,000.

In 1962, the Predecessor Company entered the insurance field with the incorporation of The International Life Insurance Company S.A., a company whose principal purpose was the issue of life insurance insuring the completion of mutual fund share purchase programs sold by the Predecessor Company. The following year, The International Life Insurance Company (U.K.) Limited was formed to offer The Dover Plan, an equity-linked term life insurance policy, and to carry on a general life insurance business. In 1968, The International Reinsurance Company Limited was incorporated for the purpose of providing re-insurance facilities to the other insurance subsidiaries of the Predecessor Company. At June 30, 1969, the insurance branch of the Company's business had policies in force in the amount of \$1,116,006,000.

In 1964, the Predecessor Company commenced its banking operations with the purchase of 75% of the shares of Overseas Development Bank, then a small Swiss bank. During the period from 1964 to the present, eleven other banks or financial subsidiaries were established or acquired. At June 30, 1969, the assets of Overseas Development Bank (now a wholly-owned subsidiary) totalled \$91,777,000 and the aggregate assets of the banking branch of the Company's business amounted to \$181,102,000.

In 1966, the Predecessor Company, through Investors Development Corporation Limited, commenced the development, promotion and distribution of real estate. Since 1966, Investors Development Corporation Limited, either directly or through subsidiaries, has promoted and sold large condominium apartment complexes located in Spain and Florida and has initiated a program for the development and sale of other real estate projects in Florida and Germany.

Pursuant to a written Agreement of Exchange dated June 20, 1969, the Company purchased all the assets (except for \$216,250 cash) of the Predecessor Company for a consideration consisting of 6,118,699 shares of the Company and the assumption by the Company of all liabilities of the Predecessor Company.

Subsequent to June 20, 1969 and prior to the date hereof all of the 6,118,699 shares of the Company issued to the Predecessor Company as aforesaid were distributed by the Predecessor Company to its shareholders. As a result of this distribution and the issue of various supplementary letters patent to the Company (particulars of which are set out immediately below under the heading "Corporate Details of the Company"), all of the issued and outstanding shares of the Company consisting of ● preferred shares of the par value of 25¢ (United States currency) each and ● common shares of the par value of 25¢ (United States currency) each are held by ● persons, all of whom were shareholders of the Predecessor Company. The said ● common shares are the shares hereby offered by the selling shareholders. Of the said ● preferred shares ● % are subject to the restrictions of The IOS Stock Option Plan, details of which are set out under the heading "The IOS Stock Option Plan" on page 24 of this prospectus.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.



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Corporate Details of the Company

The Company was incorporated under the name Dalmar Ltd. under the laws of Canada by letters patent dated January 28, 1953. By supplementary letters patent dated April 28, 1969, the name of the Company was changed to I.O.S. Holdings Ltd., the objects of the Company were varied and the authorized capital of the Company was changed and increased to \$20,000,000 divided into 20,000,000 shares of the par value of \$1 each. By supplementary letters patent dated June 27, 1969, the name of the Company was changed to its present form and the authorized capital of the Company was changed and increased to \$40,000,000 by subdividing the then authorized 20,000,000 shares into 40,000,000 shares of the par value of \$1 each. On September 1, 1969, supplementary letters patent were issued to the Company further changing and increasing the capital of the Company by converting 10,000,000 of the issued shares of the Company into 10,000,000 preferred shares of the par value of 25¢ (United States currency) each, designating the remaining 30,000,000 shares of the Company as 30,000,000 common shares of the par value of 25¢ (United States currency) each and creating an additional 10,000,000 preferred shares of the par value of 25¢ (United States currency) each and 10,000,000 common shares of the par value of 25¢ (United States currency) each.

The head office of the Company is located at 800 Dorchester Boulevard West, Montreal, Canada and the principal executive and administrative offices of the Company are at 119, rue de Lausanne, Geneva, Switzerland.

The Company's Present Business

GENERAL

For 13 years, the Company's management has been committed to changing the world of finance from the private preserve of the few to an economic force for the many. During that time, management has made it possible for more than 800,000 people, most of them "first time investors", to participate in the growth and prosperity of the free world's economy by creating, distributing and managing investment vehicles tailored to the needs of international investors. The Company and its over 80 subsidiaries ("The IOS Group") are an international sales and service organization principally engaged in the sale and management of mutual funds and other complementary financial activities including: (a) investment and commercial banking providing, amongst other services, financial services in connection with the purchase and ownership of mutual fund shares; (b) sales and management of real estate investments and properties; and (c) sales of life insurance, principally of equity related policies and mutual fund program completion life insurance. The Company thus makes available to the public the widest range of financial services offered through any single corporate structure. Consolidated net income increased from \$1,820,000 in 1964 to \$15,537,000 in 1968. For the six month period ended June 30, 1969, consolidated net income was \$11,298,000. The total assets of the investment companies managed by the Company have risen from \$129,391,000 at December 31, 1964 to \$1,865,674,000 at July 31, 1969. Each division of the Company's business is conducted through a principal subsidiary whose function is the supervision and management of that activity of The IOS Group.

While activities of The IOS Group's principal operational groups have significant interrelationships, the percentage contributions to consolidated net income of each of these groups considered separately for the five years ended December 31, 1968 and the six month periods ended June 30, 1968 and 1969 appear below:

	Year Ended December 31					Six Months Ended June 30	
	1964	1965	1966	1967	1968	1968	1969
Management and sale of mutual funds and related income*	97%	94%	80%	53%	57%	47%	39%
Banking.....	—	2	17	23	24	25	45
Real Estate.....	—	—	(4)	19	12	16	8
Insurance.....	3	4	7	5	7	12	8
TOTAL.....	100%	100%	100%	100%	100%	100%	100%

*Excludes activities of Investors Planning Corporation. See Note 5 of Notes to Consolidated Financial Statements.

MUTUAL FUND SALES

Investors Overseas Services Limited, a wholly-owned subsidiary of the Company, is responsible for the sale, through more than 13,000 sales managers, supervisors and associates in over 180 regional sales, administrative and information offices, of shares of mutual funds and equity-linked life insurance policies.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

Sales growth has been concentrated in shares and insurance policies issued by mutual funds and insurance companies managed by the Company. Sales volume of Company-managed products and mutual funds, sales volume of shares of mutual funds managed by others and total sales volume of mutual funds and equity-linked life insurance for each of the past five years and the first six months of 1969 were as follows:

Face Amount (rounded to the nearest hundred thousand dollars)			
Year	IOS-Managed Products	Other Products	Total
1964.....	\$ 255,200,000	\$62,600,000	\$ 317,800,000
1965.....	581,700,000	77,900,000	659,600,000
1966.....	1,092,100,000	60,300,000	1,152,400,000
1967.....	1,162,300,000	65,900,000	1,228,200,000
1st 6 months 1968..	812,800,000	24,400,000	837,200,000
1968.....	1,832,000,000	34,600,000	1,871,600,000
1st 6 months 1969..	1,598,100,000	5,500,000	1,603,600,000

The sales personnel of The IOS Group are self employed associates remunerated solely on a commission basis. Promotion is on a basis of personal performance and the performance of associates under supervision. As a result, all sales associates are concerned with recruitment and training of new associates for the sales organization. The growth of the sales organization of The IOS Group is illustrated by the following table:

SALES ASSOCIATES—THE IOS GROUP				
As of	Number of Managers	Number of Supervisors	Number of Sales Associates	Total Sales Personnel
December 31, 1964.....	80	412	1,732	2,224
1965.....	176	820	3,280	4,276
1966.....	270	1,500	4,600	6,370
1967.....	621	1,157	5,637	7,415
1968.....	930	1,597	6,536	9,063
June 30, 1969.....	1,176	2,241	9,850	13,267

Sales of mutual fund shares and equity-linked life insurance policies are largely effected through **The IOS Investment Program**, a computer-oriented custodial bookkeeping service offering investors the opportunity to make their purchases under one of the following three types of Programs:

Fully Paid Program—a lump sum investment.

Capital Accumulation Program ("CAP")—a 10 or 15-year Program for monthly investments.

Capital Accumulation Program with Insurance Protection ("CAPINS")—a Capital Accumulation Program with the addition of term-life insurance protection for the completion of the Program in the event that the insured should die before all payments on the Program are made.

All administrative processing and bookkeeping in connection with The IOS Investment Program is effected through the facilities of the Company maintained in Ferney-Voltaire, France, Munich, Germany and Nyon, Switzerland. These facilities employ over 1,300 people and utilize modern computer processing techniques which enable the Company to generate a confirmation of each client investment in one of four languages within two days of receipt. The Company employs an IBM 360-40 installation in this connection and has contracted for the installation of an IBM 360-65, which will greatly increase the capacity of the data processing facilities. Processing for The International Life Insurance Company (U.K.) Limited's insurance operation is conducted at its facilities in Wembley, England. In addition, two regional centers have been established to pre-process client's investments and inquiries before transmission to the computer facilities in the Geneva area, and other centers are planned.

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In certain areas shares of Company-managed mutual funds are distributed otherwise than under The IOS Investment Program pursuant to programs and procedures designed to meet applicable local regulations. Rights, services and charges are substantially identical with The IOS Investment Program, and client remittances and the custody of resulting shares are handled by subsidiary companies and unaffiliated banks which are authorized under applicable local law to perform these functions.

The following table shows the approximate geographic distribution of sales of fully paid and face amount of capital accumulation programs during 1967 and 1968.

	Programs sold during 1967	Programs sold during 1968
Europe		
West Germany.....	31%	39%
Italy.....	1	10
United Kingdom.....	9	9
Holland.....	2	2
Other.....	4	4
Sub total.....	47%	64%
Latin America and Caribbean	13	9
Africa.....	9	7
Canada.....	8	6
Far East.....	10	6
Near East.....	5	3
Other.....	8	5
TOTAL.....	100%	100%

The table includes sales of equity-linked life insurance policies and shares of mutual funds not managed by the Company.

Indications so far in the year 1969 are that the trends indicated by the increasing percentages of sales in West Germany and Italy and the decreasing percentages of sales in "Latin America and Caribbean", the "Near East" and "Other" are continuing. The Company is, however, unable to predict whether such trends will continue in the future in view of the many factors, including government regulations, economic forces and the Company's own plans for developing new markets for its products, which may affect the volume and relative proportion of sales of managed funds in various countries.

The following table sets forth certain statistical information concerning sales results of mutual funds sold under The IOS Investment Program for the two years and six months ended June 30, 1969.

Year ended	End of Period		During Period				
	Total net assets	Unpaid amounts on capital accumulation programs ⁽¹⁾	Face amount sold under all mutual fund programs	Face amount redeemed ^{(1) (2)}	Total cash invested ⁽²⁾	Cash redemptions	Net cash to funds
12/31/67	\$ 945,193,000	\$1,290,487,000	\$1,228,000,000	\$222,364,000	\$283,099,000	\$166,145,000	\$116,954,000
12/31/68	1,629,518,000	1,936,190,000	1,872,000,000	216,943,000	707,891,000	181,504,000	526,387,000
Six months ended							
6/30/69	1,814,030,000	2,548,997,000	1,603,000,000	144,380,000	659,279,000	122,869,000	536,410,000

1. Includes CAPS and CAPINS but excludes letters of intent.

2. Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

3. At June 30, 1969, \$471,425,000 representing 18.5% of the unpaid amounts under then-existing capital accumulation programs were considered behind their payment schedule.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

The principal wholly-owned sales subsidiaries are:

I.O.S. of Canada Ltd., a company which distributes shares of I.O.S. Regent Fund Ltd. and I.O.S. Venture Fund Ltd. solely in Canada;

Investors Overseas Services (U.K.) Limited, a company which distributes a complete line of life insurance policies issued by The International Life Insurance Company (U.K.) Limited (a 78%-owned subsidiary of the Company), including The Dover Plan, an equity-linked term life insurance policy. Its sales activities are limited to the United Kingdom;

Investors Overseas Services (Sterling) Limited, a company which distributes The Dover Plan and shares of The Fund of Funds Sterling Limited to residents of the Sterling Area outside the United Kingdom; and

Fiduciaria Europea Americana, S.p.A. ("Fideuram"), a company which is licensed to conduct the business of a fiduciary company and to effect the purchase (and maintain the custody) of foreign securities on behalf of Italian residents. Fideuram, through its sales representatives and under a distributorship agreement with Investors Overseas Services Limited, distributes shares of Fonditalia in Italy. Fideuram maintains executive and administrative offices in two locations in Rome.

In addition to the subsidiaries of the Company listed above, Investors Overseas Services Limited has a series of subsidiaries and affiliates which render sales, informational and administrative services at over 200 offices in various countries to support the distribution of the Company's products. Although these subsidiaries and affiliates are generally of limited size and significance in relation to The IOS Group, three deserve special mention. They are:

Investors Overseas Services in Deutschland GmbH, a company which handles the public relations affairs of the Company, prepares and distributes sales literature and provides general services in support of sales representatives of Investors Overseas Services Limited in Germany. This Company maintains offices in Munich and Bonn, Germany;

Société d'Information S.A., a company which provides literature, information and client services to clients residing in Switzerland and in connection with the sale of shares of Company-sponsored mutual funds through banks in Switzerland. This company maintains offices in Geneva and Zurich; and

Investors Overseas Services (H.K.) Limited, a company which distributes sales literature and provides promotional support to sales representatives of Investors Overseas Services Limited throughout the Far East. This company maintains offices in Hong Kong.

MUTUAL FUND MANAGEMENT

The Company, through eleven subsidiaries, provides management services to the ten mutual funds and one closed-end investment company sponsored by the Company as well as to the Equity Unit Account of The Dover Plan (described on page 11 hereof). In general, the Company has voting or management control of the mutual funds which it manages and accordingly has the power to ensure the continuation of management and other contractual arrangements between the Company and such mutual funds. Of these eleven subsidiaries, seven are directly owned by ***Investors Overseas Services Management Limited ("IOS Management")***, a company approximately 75% of the outstanding shares of which are owned by the Company. IOS Management has the right to purchase the shares of any company owned by the Company or any of its subsidiaries (other than shares of companies acting as portfolio advisers to proprietary fund accounts of F.O.F. Proprietary Funds, Ltd., a wholly-owned subsidiary of The Fund of Funds, Limited described on page 13 hereof) which manages a mutual fund whose net assets are valued at \$50,000,000 or more. This purchase right entitles IOS Management to acquire all the outstanding shares of the four wholly-owned mutual fund management subsidiaries when in each case the value of the assets of the managed fund reaches \$50,000,000.

The total net assets of the open-end mutual funds managed by the Company and of the Equity Unit Account of The Dover Plan, as well as their respective total and per share net asset values (which have not been reduced by the distribution of dividends) as at the dates listed below are as follows:

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

	December 31,					July 31,
	1964	1965	1966	1967	1968	1969
Total Net Assets under Management (000's) . . .	<u>\$129,391</u>	<u>\$366,548</u>	<u>\$565,233</u>	<u>\$940,000</u>	<u>\$1,631,787</u>	<u>\$1,724,585</u>
Fund (year organized or acquired)						
The Fund of Funds, Limited (1962)						
Total (000's)	\$120,363	\$342,569	\$460,871	\$667,995	\$ 861,976	\$ 695,328
Per Share	15.35	19.53	18.82	26.09	29.12	22.37
IIT, an International Investment Trust (1960)						
Total (000's)	\$ 8,722	\$ 19,217	\$ 80,118	\$200,577	\$ 512,541	\$ 614,150
Per Share	5.02	7.00	7.24	9.64	11.04	8.91
Fonditalia (1967)						
Total (000's)	\$ —	\$ —	\$ —	\$ 1,392	\$ 61,665	\$ 127,912
Per Share	—	—	—	10.88	12.12	12.07
The Equity Unit Account of The Dover Plan ⁽¹⁾ (1963)						
Total (000's)	\$ —	\$ —	\$ —	\$ 52,170	\$ 119,427	\$ 118,203
Per Share	—	—	—	24.77	34.89	26.20
I.O.S. Regent Fund Ltd. (1963)						
Total (000's)	\$ 306	\$ 2,159	\$ 7,915	\$ 27,402	\$ 67,881	\$ 67,362
Per Share	7.00	8.23	7.80	101.52	12.40	9.54
Investors Fonds (1968)						
Total (000's)	\$ —	\$ —	\$ —	\$ —	\$ 14,665	\$ 42,022
Per Share	—	—	—	—	6.25	6.81
The Fund of Funds Sterling Limited (1965)						
Total (000's)	\$ —	\$ 2,598	\$ 16,310	\$ 29,535	\$ 45,088	\$ 37,336
Per Share	—	2.60	2.50	4.05	6.06	4.53
I.O.S. Venture Fund (1968)						
Total (000's)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 27,248
Per Share	—	—	—	—	—	4.07
IOS Venture Fund (International) N.V. (1969)						
Total (000's)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 134,075
Per Share	—	—	—	—	—	9.62
I.V.M. Invest N.V. (1969)						
Total (000's)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,209
Per Share	—	—	—	—	—	3.23
Svenska Internationella Investment Fonden ⁽²⁾ (1969)						
Total (000's)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 897
Per Share	—	—	—	—	—	9.93

(1) Approximately 28% of these assets are invested in The Fund of Funds Sterling Limited and approximately 6% in The Fund of Funds, Limited.

(2) An agreement was concluded between Investment Planering AB, an unaffiliated company, and the Company under which the Company will provide investment advice, sales support and technical assistance in the management, administration and sale of Interfond. The Company will undertake sales to the public in Sweden.

Details of the various management subsidiaries and the fees to which they are entitled are as follows:

FOF Management Company Limited ("FOF Management"), a wholly-owned subsidiary of IOS Management, serves as investment advisor to and manager of The Fund of Funds, Limited ("FOF"). FOF Management receives a monthly management fee of 1/24th of 1% per month (½ of 1% per annum) calculated on the basis of the average daily value of the net assets of FOF for each month. FOF, an open-end mutual fund, was incorporated in 1962 and was the second of the IOS-sponsored mutual funds. The following table illustrates the growth of FOF during the two years and six months ended June 30, 1969:

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

Year ended	End of Period			During Period				
	Net asset value per share	Total net assets	Unpaid amounts on capital accumulation programs ⁽¹⁾	Face amount of investment programs sold ⁽¹⁾	Face amount of investment programs redeemed ⁽¹⁾⁽²⁾	Total cash invested ⁽³⁾	Cash redemptions	Net cash to fund
12/31/67	\$26.09	\$667,995,000	\$801,825,000	\$413,263,000	\$170,706,000	\$170,766,000	\$141,767,000	\$ 28,999,000
12/31/68	29.12	861,976,000	874,960,000	349,895,000	135,659,000	223,793,000	121,854,000	101,939,000
Six months ended								
6/30/69	23.60	731,418,000	1,061,653,000	130,161,000	77,199,000	104,465,000	65,410,000	39,055,000

1. Includes CAPS and CAPINS but excludes letters of intent.
2. Represents original program amounts and excludes fluctuations in program values.
3. Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.
4. At June 30, 1969, \$320,121,000, representing 28.8% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. An account is considered behind schedule: (a) when the first 12 months' payments have not been completed, if the client has not made a payment for three months and is more than three months behind in his scheduled payments and (b) when the first 12 months' or more payments have been completed, if the client has not made a payment for six months and is more than six months behind in his scheduled payments.

I.I.T. Management Company, S.A. ("IIT Management"), also a wholly-owned subsidiary of IOS Management, manages and administers the affairs of IIT, an open-end mutual fund organized as a unit trust in 1961 as the first of the IOS-sponsored mutual funds. For its services IIT Management receives a monthly management fee of 1/12th of 1% (1% per annum) of the average daily value of the net assets of IIT for each month. The following table illustrates the growth of IIT during the two years and six months ended June 30, 1969:

Year ended	End of Period			During Period				
	Net asset value per share	Total net assets	Unpaid amounts on capital accumulation programs ⁽¹⁾	Face amount of investment programs sold ⁽¹⁾	Face amount of investment programs redeemed ⁽¹⁾⁽²⁾	Total cash invested ⁽³⁾	Cash redemptions	Net cash to fund
12/31/67	\$ 9.64	\$200,577,000	\$309,323,000	\$323,808,000	\$27,786,000	\$108,310,000	\$24,051,000	\$ 84,259,000
12/31/68	11.04	512,541,000	735,698,000	752,162,000	42,878,000	300,378,000	39,178,000	261,200,000
Six months ended								
6/30/69	9.70	639,652,000	1,122,419,000	615,194,000	38,465,000	240,466,000	33,653,000	206,813,000

1. Includes CAPS and CAPINS but excludes letters of intent.
2. Represents original program amounts and excludes fluctuations in program values.
3. Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.
4. At June 30, 1969, \$122,588,000, representing 11.5% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. For a definition of "behind their payment schedule", see note 4 to the immediately preceding table relating to FOF.

Canadian Fund Management Company Limited ("Canadian Management") is a wholly-owned subsidiary of IOS Management and acts as investment advisor to I.O.S. Regent Fund Ltd., an open-end mutual fund distributed in Canada. Canadian Management receives a monthly fee for its services equal to 1/24th of 1% (1/2 of 1% per annum) of the average daily value of the net assets of I.O.S. Regent Fund Ltd. for each month. The following table illustrates the growth of I.O.S. Regent Fund Ltd. during the two years and six months ended June 30, 1969:

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

Year ended	End of Period			During Period				
	Net asset value per share	Total net assets	Unpaid amounts on capital accumulation programs ⁽¹⁾	Face amount of investment programs sold ⁽¹⁾	Face amount of investment programs redeemed ⁽¹⁾⁽²⁾	Total cash invested ⁽³⁾	Cash redemptions	Net cash to fund
12/31/67	\$10.59	\$ 27,402,000	\$ 69,058,000	\$ 78,228,000	\$ 12,545,000	\$ 4,023,000	\$ 327,000	\$ 3,696,000
12/31/68	12.47	67,881,000	132,972,000	122,019,000	18,937,000	34,191,000	5,309,000	38,882,000
Six months ended								
6/30/69	10.53	72,180,000	164,938,000	55,375,000	11,920,000	25,953,000	7,995,000	17,958,000

1. Includes CAPS and CAPINS but excludes letters of intent.

2. Represents original program amounts and excludes fluctuations in program values.

3. Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

4. At June 30, 1969, \$27,797,000, representing 16.9% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. For a definition of "behind their payment schedule", see note 4 to the next-to-last preceding table relating to FOF.

Fonditalia Management Company S.A. ("Fonditalia Management"), a wholly-owned subsidiary of IOS Management, manages and administers the affairs of Fonditalia, an open-end mutual fund organized as a unit trust in 1967 as the first of the Company's national funds. Fonditalia Management receives from Fonditalia a monthly fee equal to 1/12th of 1% (1% per annum) of the value of the net assets of Fonditalia on the last business day of each month. Fonditalia was first distributed to the public in December of 1967 and on December 31, 1967, the value of the net assets of Fonditalia was \$1,380,600. On June 30, 1969, the value of such net assets was \$121,000,000. Unpaid amounts on existing Capital Accumulation Programs for the acquisition of shares of Fonditalia totalled \$7,836,000 as at December 31, 1968.

Venture Management Company Limited ("Venture Management"), also a wholly-owned subsidiary of IOS Management, serves as investment advisor to IOS Venture Fund (International) N.V., an open-end mutual fund organized in February of 1969. Venture Management is entitled to receive for its services a monthly fixed fee of 1/12th of 1% (1% per annum) of the average daily value of the net assets of IOS Venture Fund (International) N.V. for each month plus a quarterly incentive fee. The Company has agreed with Venture Management and IOS Management to bear the cost of certain administrative and advisory services in consideration of the assignment by Venture Management to the Company of the said quarterly incentive fees. At the end of the 45 day initial subscription period (April 30, 1969), the value of the net assets of IOS Venture Fund (International) N.V. was \$97,100,000 and on June 30, 1969 the value of such net assets was \$128,634,000.

Investors Fonds Kapitalanlagegesellschaft mbH ("Investors Fonds KAG"), a 99%-owned subsidiary of IOS Management, manages and administers the affairs of Investors Fonds, an open-end mutual fund organized in March of 1968. For its services Investors Fonds KAG receives a monthly management fee equal to 1/24th of 1% (½ of 1% per annum) of the average daily value of the net assets of Investors Fonds. Pursuant to approval received from appropriate German authorities, the management fee will be increased to 1% per annum. At June 30, 1969, the value of the net assets of Investors Fonds was \$32,369,000.

I.O.S. Sterling Management Company Limited ("Sterling Management"), a wholly-owned subsidiary of IOS Development Company Limited ("IOS Development"), serves as investment advisor to The Fund of Funds Sterling Limited ("FOF Sterling") and receives a quarterly fixed fee equal to 1/8th of 1% (½ of 1% per annum) of the average daily value of the net assets of FOF Sterling for each quarter plus a quarterly performance fee of 10% of the net realized and unrealized capital gains and interest and dividend income of FOF Sterling after deducting certain expenses of FOF Sterling. Sterling Management pays certain fees to individual merchant banks and investment counselors who provide investment research, advice and trading recommendations. On December 31, 1965, the value of the net assets of FOF Sterling was \$2,598,000. On June 30, 1969 the value of such net assets was \$38,500,000. Sterling Management also acts as an investment advisor to the Equity Unit Account of The Dover Plan (described on page 17 hereof) with respect to all Equity Unit Account investments in securities other than shares of The Fund

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

of Funds, Limited and The Fund of Funds Sterling Limited. As at June 30, 1969, such investments amounted to \$78,534,000.

I.V.M. Invest Management Company Limited (“*IVM Management*”), a wholly-owned subsidiary of the Company, manages I.V.M. Invest N.V. (“*IVM Invest*”), an investment company organized under the laws of the Netherlands Antilles in March 1969, which currently serves solely as the investment vehicle for equity units of insurance policies issued by “*I.V.M.*” (De Internationale Verzekering Maatschappij) N.V., a new Dutch insurance subsidiary of the Company. These policies are currently sold only in Holland and the Netherlands Antilles. IVM Invest’s assets are principally invested in securities in Holland. IVM Management manages the direct securities investments of IVM Invest (representing approximately 76% of IVM Invest’s assets) for a fixed fee equal to 1/24th of 1% per month (½ of 1% per annum) of the net assets of IVM Invest directly invested and a quarterly incentive fee equal to the amount, if any, by which 10% of all net realized and unrealized capital gains, dividend and interest income exceeds the fixed monthly fees paid. If, at the end of any calendar quarter, there are net realized and unrealized capital losses, such capital losses are carried forward to succeeding quarters in computing the quarterly incentive fee. IVM Management receives no fee for the remaining 24% of IVM Invest’s assets which are invested in other Company-managed funds. The management agreement is of indefinite duration, but may be terminated by either party on three months’ notice. The Company is the holder of the voting shares of IVM Invest. At June 30, 1969, the net assets of IVM Invest were \$972,000.

I.O.S. Management Company Limited (“*IOS Venture Management*”), a wholly-owned subsidiary of the Company, serves as investment advisor to I.O.S. Venture Fund Ltd. (“*Venture Fund*”), an open-end mutual fund distributed in Canada which was organized in October of 1968. As compensation for its services, IOS Venture Management receives a monthly fee equal to 1/12th of 1% (1% per annum) of the average daily value of the net assets of Venture Fund for each month. At the end of the 30-day initial offering period (March 21, 1969), the value of the net assets of Venture Fund was \$14,082,000. As at June 30, 1969, the value of the net assets of Venture Fund was \$27,610,000.

IOS Growth Fund Management Limited (“*Growth Management*”), a wholly-owned subsidiary of the Company, has agreed to act as investment advisor to IOS Growth Fund Limited (“*Growth Fund*”), an open-end mutual fund which will be distributed initially in Germany. For its services, Growth Management will receive a monthly management fee equal to 1/24th of 1% (½ of 1% per annum) of the average daily value of the net assets of Growth Fund for each month plus a quarterly incentive fee.

Svenska Internationella Investment Fonden. The Company has concluded an agreement with Investment Planering AB to provide investment advice and technical assistance in the management and administration of Interfond, an open-end mutual fund organized under the laws of Sweden. Interfond’s assets are currently invested in Sweden. Pursuant to various service contracts, the Company receives the equivalent of approximately 50% of the management fee paid by Interfond to Investment Planering AB. For its services Investment Planering AB receives, from Interfond, a monthly fixed fee of 1/24th of 1% (½ of 1% per annum) of the net assets of Interfond, and a quarterly incentive fee equal to the amount, if any, by which 10% of all net realized and unrealized capital gains, dividend and interest income net of certain expenses exceeds the fixed monthly fees paid. If, at the end of any calendar quarter, there are net realized and unrealized capital losses, such capital losses are carried forward to succeeding quarters in computing the quarterly incentive fees. Interfond is only sold in Sweden under the Interfond Investment Program. At July 31, 1969, the net assets of Interfond were \$897,000.

Rothschild-Expansion. The Company has concluded an agreement with Banque Rothschild S.A., Paris, to provide portfolio management and technical assistance in the sale, management and administration of Rothschild-Expansion, a French SICAV (mutual fund). Prior to this agreement, the Company had not engaged in mutual fund sales or management activities in France. Pursuant to this agreement, the Company will share the net proceeds from the management fee paid by the SICAV. The Company will also actively assist in sales to the public in France and will undertake sales in French overseas territories and countries belonging to the French franc zone.

To date, the three fund operations last mentioned above have not been material to the operation of the Company.

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F.O.F. Proprietary Funds Ltd. ("FOF Prop") is a wholly-owned subsidiary of FOF. At June 30, 1969 approximately 89% of the net assets of FOF were invested in FOF Prop. The assets of FOF Prop are divided into eighteen fund accounts, each of which is managed by one of six wholly-owned Bahamian subsidiaries of the Company. Pursuant to separate investment advisory agreements with FOF Prop, each of these subsidiaries receives investment advisory fees on a calendar quarter basis based on the investment performance of the particular fund account. In respect of fourteen of the fund accounts, the managing subsidiaries have appointed unaffiliated sub-advisors to render investment advice to such subsidiaries.

The following table shows for 1968 and the first six months of 1969 the gross advisory fees paid by FOF Prop to the Company, the amount paid by the Company to the sub-advisors and the net amount retained by the Company.

	Year ended December 31, 1968	Six months ended June 30, 1969
Gross fees to Company.....	\$9,115,000	\$1,140,000
Fees paid sub-advisors.....	3,843,000	716,000
Net fees retained by Company.....	5,272,000	424,000

In 1968, FOF Prop made its portfolio securities available for loan to member firms of recognized stock exchanges. Gross interest income amounting to \$3,078,000 was earned through December 31, 1968 by FOF Prop from the investment of cash collateral for such loans. FOF Prop paid to Financial Institutions Management Company Limited, a wholly-owned subsidiary of the Company, \$698,000 for advice and recommendations in connection with such securities lending activities. As of December 31, 1968, the agreement between FOF Prop and Financial Institutions Management Company Limited was terminated and FOF Prop entered into a contractual arrangement with Financial Institution Management N.V. ("FIM"), a wholly-owned subsidiary of IOS Financial Holdings Limited (described on page 15 hereof), whereby FOF Prop has agreed to make its portfolio securities available to FIM so that FIM may conduct for its own account a stock loan business. As compensation, FIM has agreed to pay FOF Prop a yearly fee equal to the greater of

- (i) 4.05% per annum of the average outstanding balances of the securities loaned by FIM, computed on a month-end basis, or
- (ii) 54% of the prime rate of interest prevailing at The Bank of New York in the City of New York on the average outstanding balances of securities loaned by FIM, computed on a month-end basis.

For the six month period ended June 30, 1969, FIM received \$1,792,000 in gross interest income from lending FOF Prop securities, of which \$932,000 was accrued for fees payable to FOF Prop.

COMMERCIAL AND INVESTMENT BANKING

IOS Financial Holdings Limited ("Financial Holdings"), a company incorporated on March 29, 1968, is a wholly-owned subsidiary of the Company and acts as a holding company through which the Company's commercial and investment banking operations are conducted. With the exception of one bank which acts as custodian to a Company-managed fund (pursuant to local legal requirements), subsidiary banks do not make loans to or accept deposits from Company-managed investment funds or their respective management companies. At June 30, 1969, Financial Holdings and subsidiaries had a net worth of \$20,906,000 and held deposits by customers and unaffiliated banks of \$97,766,000. Consolidated net income for the year ended December 31, 1968 was \$3,685,000 and for the six month period ended June 30, 1969 was \$5,092,000, as compared to \$1,473,000 for the comparable period in 1968. The activities of Financial Holdings are carried on through the following major subsidiaries:

Commercial Banking

Overseas Development Bank ("ODB"), the principal commercial bank of The IOS Group, is a Swiss bank which offers a complete range of commercial banking services to the public through its head office and registered branch office in Geneva and its two registered branch offices in Luxembourg and London. At June 30, 1969, ODB held deposits of nearly \$60,224,000 for over 30,000 depositors. The schedule below catalogues on a yearly basis relevant facts concerning ODB's growth:

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

To the nearest hundred dollars. Converted from Swiss Francs on basis 1 Swiss Franc=\$0.25145 Can.						
	December 31, 1964	December 31, 1965	December 31, 1966	December 31, 1967	December 31, 1968	June 30, 1969
Capital and Reserves as of	\$ 756,900	1,547,900	2,745,100	2,926,700	6,149,600	9,948,000
Net Income (after taxes) for year (6 months) ended.	\$ 36,100	36,800	191,400	231,800	662,000	1,329,000
Total Assets as of	\$ 4,675,800	12,096,900	25,609,500	31,150,000	64,765,800	91,777,000
Number of Depositors as of	450	3,800	9,100	11,900	16,900	30,000

Orbis Bank GmbH ("Orbis"), a German bank, is a 90%-owned subsidiary of the Company licensed to transact business as a bank in Germany and is a member of the Munich Stock Exchange. It maintains its principal office in Munich and branch offices in Cologne, Dusseldorf and Frankfurt. Organized in the spring of 1968, Orbis offers a variety of commercial banking services. However, to the present time, Orbis' principal revenues have been derived from currency exchange commissions arising on the conversion of Deutsche Marks into dollars in connection with mutual fund sales in Germany. The net income for the year ended December 31, 1968 was \$5,600, and for the first six months of 1969 was \$165,400.

Banca Provinciale di Depositi e Sconti S.p.A. ("Probanca"), a 96% owned subsidiary acquired by the Company for \$7,272,000 in May of 1969, is a full-service Italian bank with its principal office in Milan and branch offices in Turin and Vigevano and is a member of the Milan Stock Exchange. At June 30, 1969, Probanca held deposits of approximately \$26,839,000 from customers and unaffiliated banks.

Overseas Development Bank (Bahamas) Limited and **Overseas Development Bank (Sterling) Limited**, banks which may in the future offer the normal complement of commercial banking services, have had limited activities to date. The principal activities of each have consisted of the maintenance of securities safekeeping and fiduciary accounts and the purchase and sale of marketable securities as principal.

Investment Banking

Investors Bank Luxembourg, S.A. ("IBL"), a Luxembourg bank, is primarily engaged in Eurodollar underwriting activities. It has acted as lead managing underwriter of five Eurodollar convertible debenture issues since November, 1968, involving over \$100,000,000 and has participated as an underwriter in a number of other offerings. In addition to these activities, IBL accepts time deposits and deposit accounts from the public. The schedule below reflects the growth of IBL during the last three years:

To the nearest hundred dollars. Converted from Luxembourg Francs on basis 1 Luxembourg Franc=\$0.0216 Can.				
	December 31, 1966	December 31, 1967	December 31, 1968	June 30, 1969
Capital and Reserves as of	\$ 115,300	125,600	413,400	448,000
Total Assets as of	\$ 5,428,100	6,016,200	6,883,900	7,045,000
Net Income for year (6 months) ended	\$ 5,500	11,000	91,600	34,600

Investors Overseas Bank Limited ("IOB") is licensed as a private bank under Bahamian law. In accordance with the terms of its license, IOB engages in a variety of investment banking activities. IOB has participated (usually with IBL as co-underwriter) in various Euro-dollar securities underwritings; acted as investment banker in arranging a number of private placements; received soliciting dealer fees in tender and exchange offers accepted by Company-managed funds; and, as an approved overseas representative of a London Stock Exchange member firm, shared in customary brokerage commissions arising from transactions of certain Company-managed mutual funds on The Stock Exchange, London.

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Other

IOS Acceptance Company Limited engages in the financing of margin loans for owners of shares of IOS-sponsored mutual funds and the refinancing thereof with various banks. On June 30, 1969 the amount of such loans outstanding was \$35,433,000. These collateralized loans are rediscounted with ODB and unaffiliated banks on a revolving credit basis.

Financial Institution Management N.V. is engaged in arranging and servicing stock loan transactions with securities owned by FOF Prop. Particulars of these transactions are set out on page 13 hereof.

REAL ESTATE SALES AND MANAGEMENT

All of the real estate and related activities of the Company are conducted by subsidiaries of **IOS Real Estate Holdings Limited** ("**Real Estate Holdings**"), a wholly-owned subsidiary of IOS.

Promotional and Sales Activity

The Company's real estate promotional and sales operations are conducted through **Investors Development Corporation Limited** ("**Indevco**"), which is engaged in the location, creation, advertising, sales promotion, development and sales of real estate projects. Indevco has trained a group of real estate specialists, who work in close association with the Company's sales organization in selling the real estate products offered by the Company. To date, these products have been in the form of condominium apartments, houses and parcels of land which have been sold through the Company's sales force almost entirely outside of the United States, primarily to non-United States persons, and have been marketed principally as investments.

Indevco's principal source of revenue has been commissions from the sale of condominium apartments in Playamar in Torremolinos, Spain, and in The Hemispheres in Hallandale, Florida.

Playamar is located on the Costa del Sol and when completed will consist of 21 fifteen storey buildings, containing a total of 973 apartments, two clubs, swimming pools and related facilities. Indevco started selling the apartments in 1966 and exercised substantial control in overall project development. At June 30, 1969, nine of the 21 buildings had been completed; 315 of the 973 apartments were occupied or available for occupancy and 840 apartments out of a total of 877 apartments available for sale had been sold by Indevco.

The Hemispheres is located in Hallandale, Florida, and when completed will consist of 1,295 condominium apartments located in three 23-storey buildings and one 19-storey building, with a beach club, marina and other attendant facilities. At June 30, 1969 the four buildings were in the process of construction, and 1,024 apartments had been sold by Indevco. The apartments range in price from \$16,700 to \$83,300.

To date, Indevco has been able to sell apartments successfully in the projects it has marketed prior to their completion and in some cases at very early stages of construction. For this reason, and because of the relatively long construction period in Spain during which sales could be concentrated, cash received from customers was sufficient to cover construction costs without outside financing. An analogous situation is developing with The Hemispheres, but it is anticipated that some financing will be received from Investment Properties International, Limited, the parent company of the developer of The Hemispheres, due to the shorter construction period in the United States.

In both of these projects, the Company conceived and created the product marketed. The cost of the location of sites, and advertising, rental, marketing and promotional expenses are borne by Indevco out of its sales commissions.

In the Playamar project, Indevco realized net income of 12.9% of the sale price of the units sold. From The Hemispheres project, the Company's net income is projected to be in the same percentage range.

Indevco's real estate marketing activities have been undertaken in conjunction with the ownership investment activities of Investment Properties International, Limited (whose initial real property investments were formerly held by the Real Estate Growth Fund account of FOF Prop). It is anticipated that this relationship will continue, although the interest of Investment Properties International, Limited in future developments may be as a joint venturer with other investors. Currently, projects for condominium apartments for the retired in Hamburg and Munich are in preparation as well as another condominium project in Florida.

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Indevco's net income for the six months ended June 30, 1969 was \$921,200, as compared to \$948,300 for the comparable period in 1968.

Real Estate Management and Resale

Since the apartments are sold principally as investments to absentee owners, subsidiaries of Real Estate Holdings offer to manage the apartments for the owners for a fee equal to 10% of the rent received.

In Spain, **Property Management S.A.** and **Property Management Limited** provide resale, rental and maintenance services for the apartments at Playamar. To facilitate the provision of these services, Real Estate Holdings has entered into a management agreement with a major European travel agent and management organization. **Indevco Management Corporation, N.V.** makes similar facilities available in Florida. Indevco will also act as agent for the owner in case of resales at a commission of 10% of gross resale price.

Real Estate Investment

On June 20, 1969, the Company marketed **Investment Properties International, Limited** ("IPI"), a closed-end investment company, its first investment product which was not a vehicle for investment in marketable securities. IPI received \$108 million in net proceeds. Of this offering, approximately 84% was distributed through the Company's sales organization, 6% was sold through a banking group headed by Investors Overseas Bank Limited and Investors Bank Luxembourg, and the remaining 10% represented the consideration (in shares of IPI) received by the Real Estate Growth Fund account of FOF Prop for the sale of the real property previously held by it to IPI. Each share entitled the holder thereof to a stock purchase warrant, which may be exercised from January 2, 1971 through December 31, 1974. If fully exercised, the warrants will result in additional equity to IPI, ranging from \$116,892,000 to \$169,493,000, depending on the date of exercise. IPI is an Ontario (Canada) corporation which at July 31, 1969, had 8% of its assets invested in various properties located in the United States, 3% outside of the United States, and the remaining 89% in cash and short term money market obligations. IPI intends to invest a substantial portion of its assets in the acquisition and construction of deluxe hotels throughout the free world. To facilitate these plans, the Company has entered into a joint venture agreement with a major United States hotel organization under which IPI will provide construction capital and the joint venturer will provide management of the completed hotel.

IPI is managed by **IPI Management Company Limited** ("IPI Management"), a wholly-owned subsidiary of IOS Management. For managing IPI, IPI Management will receive a fixed fee equal to 1/24th of 1% per month (1/2 of 1% per annum) of the net amount invested on original issue of shares of IPI and an incentive fee paid semi-annually equal to the total of 10% of (i) all net realized gains on the sale of capital assets other than securities, (ii) all net realized and unrealized securities gains, (iii) all net interest and dividend income and (iv) the tax-free cash flow to IPI available for distribution to shareholders by reason of operation of real properties or mortgage refinancings. The net amount invested on the original issue of shares of IPI was \$108,125,000. No incentive fee will be paid with respect to net realized or unrealized securities or capital gains during any semi-annual period until any previous net realized and unrealized securities or capital losses have been fully offset. Neither IPI Management nor any of its affiliates will charge any real estate brokerage to IPI, and IPI Management will use its best efforts to keep to an absolute minimum real estate brokerage fees which might otherwise be payable by IPI to third persons in connection with the acquisition or disposition of properties. However, to the extent that the price paid by IPI or proceeds received by IPI may not be adversely affected, IPI Management or its affiliates may share in usual and customary real estate brokerage paid by persons selling properties to or acquiring properties from IPI. The Company has agreed with IPI Management to bear the cost of certain administrative and advisory services in consideration of the assignment by IPI Management to the Company of the said semi-annual incentive fee.

Engineering and Construction

Real Estate Holdings has recently established a wholly-owned subsidiary, **The IOS Engineering and Construction Company Limited**, to supervise, on a contractual basis, the construction of the various real estate products marketed by Indevco, or owned and constructed by IPI or its affiliates. Currently, the

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new subsidiary is supervising the construction of an office building in Kenya, on behalf of The Equity Unit Account, and providing advisory services on the construction at Playamar, The Hemispheres and the apartments for the retired in Germany.

LIFE INSURANCE AND REINSURANCE

IOS Insurance Holdings Ltd. (“**Insurance Holdings**”), a non-resident Canadian company which, through its subsidiaries, conducts all life insurance and re-insurance activities of the Company. Approximately 79% of the shares of Insurance Holdings are owned by the Company, the balance being owned by persons who are not affiliated with the Company other than through directorships in the insurance group and through ownership of shares of the Company. The major subsidiaries of Insurance Holdings are as follows:

The International Life Insurance Company S.A. (“**ILI/LUX**”), a Luxembourg company which engages primarily in the issue of program completion life insurance with respect to Capital Accumulation Programs for the acquisition of shares of mutual funds sold by the Company. The following chart shows the growth in the volume of such insurance issued over the past 5 years:

Rounded to the nearest thousand dollars						
	Year Ended December 31,					Six months ended June 30, 1969
	1964	1965	1966	1967	1968	
New Insurance Issued	\$ 91,186,000	\$140,879,000	\$195,827,000	\$201,391,000	\$248,972,000	\$109,467,000
New Lives Insured . . .	7,393	6,869	15,932	16,215	20,200	7,627
Insurance in Force (at end of period)	\$127,229,000	\$225,118,000	\$321,955,000	\$335,080,000	\$442,085,000	\$461,754,000
Lives Insured (at end of period)	9,334	17,209	25,423	32,791	39,468	41,572

The International Life Insurance Company (U.K.) Limited (“**ILI/UK**”), an English company which offers life, term life, group life and endowment life insurance policies and additionally issues The Dover Plan, an equity-linked term life insurance policy. ILI/UK provides administrative services for The IOS Insurance Group at the computer facilities maintained at Wembley, England, where more than 600 executive and administrative personnel are employed. ILI/UK proposes to expand its activities into Canada.

The various policies offered by ILI/UK are issued primarily to residents of the UK, but are also actively promoted in other countries in the Sterling Area. ILI/UK was formed in April, 1963 and its growth is shown in the following table:

Rounded to the nearest thousand dollars						
	Year Ended December 31,					June 30, 1969
	1964	1965	1966	1967	1968	
New Insurance Issued	\$6,892,000	\$43,560,000	\$ 93,031,000	\$130,323,000	\$201,893,000	\$203,048,000
New Lives Insured . . .	2,800	13,998	21,200	25,008	37,309	34,168
Insurance in Force (at end of period)	\$8,434,000	\$49,969,000	\$153,105,000	\$266,325,000	\$488,211,000	\$654,252,000
Lives Insured (at end of period)	2,911	12,537	30,400	46,089	74,723	101,493

“I.V.M.” (**De Internationale Verzekering Maatschappij**) **N.V.** (“**IVM**”) is qualified to do business as a life insurance company in Holland. IVM's major product is a term-life, equity-linked insurance policy similar to The Dover Plan offered by ILI/UK.

The International Reinsurance Company Limited, a Bahamian company, provides reinsurance services to all the Company's insurance subsidiaries.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

DEVELOPMENT AND EXPANSION PROGRAM

The continuing policy of The IOS Group is the development of existing financial services to its customers and the addition of other related or complementary businesses. Currently, within the mutual fund sales and management, commercial and investment banking, life insurance and real estate sales and management activities of the Group, the following programs are being pursued:

- (a) National mutual funds specifically designed for the countries in which they are to be sold. National funds are planned for Australia, France, the United Kingdom and South America.
- (b) Specialized investment companies have recently been established or are in the immediate planning stage. Investment Properties International, Limited, initially offered on June 20, 1969 as part of this development program, is designed to take advantage of growth situations in income producing real estate. An IOS natural resources fund is also in prospect.
- (c) The provision of investment management services to institutional, pension funds and other large investment portfolios. The first of such programs has been initiated with the formation of a company in England.
- (d) Expansion of the Group's insurance and banking activities which has already resulted in the formation of De Internationale Verzekering Maatschappij N.V., the acquisition of a 33⅓% interest in the Swiss General Insurance Company (Australia) and the acquisition of Banca Provinciale di Depositi e Sconti S.p.A. (Italy).
- (e) Development and sale of new real estate projects. The first, planned for the near future, is a condominium community of 175 acres called "The Waterways" to be developed on a joint-venture basis in Florida. The second consists of the development of two 450 unit retirement communities in Hamburg and Munich, Germany. The third is the coordination of a joint-venture arrangement with a major United States hotel management firm with respect to hotel projects outside the continental United States.

IOS Development Company Limited ("IOS Development") has the responsibility of implementing this growth-oriented policy of The IOS Group and is responsible for investigating and establishing new lines of activities. In 1967, the present management and personnel of IOS Development organized Fonditalia, believed to be the first mutual fund designed expressly to meet the legal and economic requirements for mass distribution in the Republic of Italy. Fonditalia Management, the investment manager for Fonditalia, was formerly a subsidiary of IOS Development. In November of 1968, IOS Development sold all the shares of Fonditalia Management to IOS Management.

The present management of IOS Development also established Investors Fonds and Investors Fonds KAG (described on page 11 hereof). In addition, Sterling Management (described on page 11 hereof) and IVM Management (described on page 12 hereof) are wholly-owned subsidiaries of IOS Development.

THE IOS FOUNDATION

The IOS Foundation, supported by The IOS Group, its employees and associates, is dedicated to the development of humanitarian projects throughout the world.

Projects receiving IOS Foundation support have ranged from a village for emotionally disturbed children in Canada to a home for the handicapped in Malta; from literacy campaigns in Iran and Italy to a school for retarded children in South America and an institute for the deaf in Africa; from a center for the children of working mothers in Bolivia to a school for the children of Karen tribesmen in a remote mountain region of northern Thailand.

The Company intends to continue its previous policy of making contributions to the IOS Foundation.

OTHER ACTIVITIES OF THE IOS GROUP

In addition to its business operations described above, the Company is also engaged in the publication of an English language weekly newspaper in Geneva and a monthly business magazine, the publication and sale

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of an investment advisory service to private subscribers and the development and operation of a wide variety of computer programs. In addition, a corporation has been established to engage in business related to the communications field. To date, none of these activities has significantly contributed to operating results.

REGULATORY FRAMEWORK OF CONDUCT OF BUSINESS

Mutual Funds

Each mutual fund managed by The IOS Group is exposed to applicable governmental regulation in the country of organization and in each country in which it is sold. If permitted by the exchange control, corporate and related regulations, The IOS Group attempts to offer to investors in each country shares of a mutual fund organized in a jurisdiction which (1) permits investors to redeem fund shares in a freely convertible currency, (2) permits the fund to make portfolio investments with maximum flexibility free of exchange control restrictions or limitations, (3) permits regular and capital gain income to accumulate in the fund for the benefit of investors free of tax and (4) permits the fund to redeem its shares on demand by investors and pay the proceeds to the investor free of withholding tax. Local exchange control, corporate and related regulations make it impossible to offer such a fund in all countries.

IOS Development Company Limited, a wholly-owned subsidiary of the Company, heads The IOS Group's continuing efforts to develop mutual fund and other financial products which can be made available to fulfil the needs of investors living in other countries. For example, Fonditalia is organized for sale in Italy and its policy, in accordance with current Italian law, is to invest 50% of its assets in Italian securities. As a condition of distribution in Italy, it is also obliged to invest only in securities listed on specified stock exchanges. It is available for sale in Italy under a local equivalent of The IOS Investment Program, in conformity with Italian exchange control regulations, on a basis which permits the proceeds on redemption of shares beneficially owned by Italian residents to be converted from United States dollars to Italian lira by licensed foreign exchange banks.

The Company's continuing efforts to develop mutual fund and mutual fund-like investments structured to conform to the particular tax, exchange control or other requirements of particular countries or groups of countries have proceeded at an accelerating rate: The Dover Plan (1963); FOF Sterling (1965); Fonditalia (1967); Investor Fonds (1968); IVM (1969); and as technical advisors to others, Interfond (1969) and Rothschild-Expansion (1969). The Company expects that this national fund development will continue to provide important additions to its geographical areas of operations.

Varying local regulations affect the manner in which Company-managed mutual funds may be distributed. For example in some countries Company-managed mutual funds may be distributed only through banks or their representatives or may not be sold by sales associates who have not secured an appointment with prospective clients in advance.

The regulatory framework in which the mutual funds managed by The IOS Group are distributed and operated is subject to change. Recently, new laws have been enacted in West Germany which regulate the distribution of mutual funds organized other than under the laws of West Germany and affect the tax treatment of gains realized by German residents who hold shares of such funds. The Company does not anticipate that this will adversely affect its operations in Germany. All mutual funds managed by The IOS Group except FOF are registrable for future sale in Germany under the new regulatory provisions. The tax aspects of the new laws will cause all or a portion of dividend and interest realized by a foreign mutual fund to be taxed to a German holder of mutual fund shares whether distributed by the fund to the holder or not. Under previous laws, Germans holding German mutual funds were subject to tax on fund net dividend and interest income while holders of non-distributing foreign funds were not. The Company has organized a new mutual fund, IOS Growth Fund Limited, based on the principle of competitively managed separate portfolios with separate portfolio advisors compensated on a performance basis. The new fund will not invest in other funds and will thus qualify in Germany for future distribution. Existing German holders of capital accumulation programs for the acquisition of shares of FOF will be offered the opportunity to complete their programs by acquiring shares of the new fund. To protect existing German shareholders of FOF from some disadvantage in tax treatment to which they might be subject under the tax provisions of the new laws, they will be offered

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the opportunity, without charge, to substitute shares of this new fund for the shares of FOF held for them under The IOS Investment Program.

While regulatory restrictions vary widely from country to country, the above described types of regulations are those which represent the most substantial limitations on flexibility of operations of the Company's mutual fund business.

Insurance

The conduct of an insurance company and the distribution of insurance policies are highly regulated activities. All of The IOS Group's operating insurance subsidiaries are subject to varied regulation by competent governmental authority in the jurisdiction of organization. The distribution of insurance policies is also affected in the countries where sold by the availability, under local exchange control regulations, of currency convertible into the currency of the issuer to pay the premium and by restrictions or licensing requirements on the sale of insurance policies (particularly life) by foreign companies.

ILI/UK is itself a resident of the sterling area and can therefore receive premium payments not only from residents of the United Kingdom, but from residents of other sterling area countries which do not impose restrictions on sterling movements within the sterling area. Additionally, ILI/UK has been able to accept premium payments from some countries in the sterling area which impose such restrictions on condition that compensating investments are made locally. Under the treatment afforded United Kingdom insurance companies under licensing regulations of some other countries of the sterling area, ILI/UK has been able to qualify to issue life policies in such countries.

ILI/LUX can generally accept premium payments free of exchange control in any country where The IOS Investment Program can be offered against direct payment in a freely convertible currency. However, local prohibitions against the sale of life policies by foreign issuers or other licensing requirements limit the distribution of ILI/LUX policies even in many such countries. In some such countries The IOS Group utilizes its sales force to distribute CAPINS coverage provided by local issuers' or term policies of local issuers under arrangements by which all or part of the risk is reinsured with one of The IOS Group's insurance subsidiaries.

To overcome the restrictions imposed on the distribution of policies of foreign insurance companies, The IOS Group has recently begun the organization and development of local life insurance companies. A fully licensed Dutch insurance company was organized in 1969 as the first of these. This is a program analogous to national fund development in the mutual fund operations of The IOS Group and is expected to continue at an accelerated rate in the future.

United States Securities Business

In May of 1965, the United States Securities and Exchange Commission (the "SEC") instituted a private investigation of the affairs and activities of the Predecessor Company. In the following months the SEC requested, and the Predecessor Company supplied, extensive documents and exhibits setting forth detailed information concerning the affairs and activities of the Predecessor Company. However, in the course of its private investigation, the SEC had demanded that the Predecessor Company provide to the SEC a full listing of investors in FOF and IIT, together with a detailing of their individual accounts. The Predecessor Company refused to comply with such demand, contending that the SEC lacked jurisdiction as to the sales of securities occurring wholly outside the United States and contending further that the Predecessor Company was precluded from giving such information by applicable laws requiring that such information be kept in the strictest confidence, as well as by the custom of most countries wherein the Predecessor Company had sold such securities.

In December of 1965, the Predecessor Company brought suit against the SEC in the United States District Court for the District of Puerto Rico, alleging a lack of jurisdiction on the part of the SEC and seeking a Declaratory Judgment that the Predecessor Company be permitted to withdraw from registration as a broker-dealer under the United States Securities Exchange Act of 1934. (Such registration had been effected

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by the Predecessor Company “under protest” in 1960.) In addition, a preliminary injunction was sought from the Court against any continuation of the SEC’s private investigation until a final determination of the issues was made by the Court.

In February 1966, the SEC issued an Order for public hearings. In such Order allegations were made concerning violations of provisions of the United States Securities Exchange Act of 1934 and the Investment Company Act of 1940 by the Predecessor Company and six associated individuals. The public hearings called for a presentation of evidence concerning such alleged violations and a determination as to whether a revocation of the Predecessor Company’s broker-dealer registration was “in the public interest”. The preliminary injunction requested by the Predecessor Company against the SEC was denied by the Federal District Court and an appeal from such denial was filed with the United States Court of Appeals for the First Circuit. While such appeal was pending, before any trial of the issues involved in the suit by the Predecessor Company against the SEC and before any public hearings were held pursuant to the SEC Order, and after months of protracted negotiations and discussions between the Predecessor Company’s representatives and the staff of the SEC, the Predecessor Company submitted an Offer of Settlement to the SEC and the SEC issued (on May 23, 1967) an Order accepting the Predecessor Company’s Offer of Settlement.

The SEC Order contained no findings of fact or violations of law. Pursuant to the Order: (a) the Predecessor Company was permitted to withdraw its registration as a broker-dealer; (b) the Predecessor Company agreed that it would not engage thereafter in the offering or sale of securities to United States citizens or residents, wherever located, with the exception of officers, directors and persons associated with the Predecessor Company on a full time basis; (c) the Predecessor Company disposed of its entire interest in Investors Planning Corporation on a basis acceptable to the SEC; (d) the Predecessor Company agreed to refrain from future activities falling within the jurisdiction of the SEC; (e) the Predecessor Company agreed to cause the future investments of FOF in securities of United States investment companies to come within such percentage limitations as are applicable to United States investment companies seeking to make such investments and (f) the Predecessor Company has taken a series of steps intended to secure compliance with the terms of the Order, and to accomplish a severance of activities within the jurisdiction of the SEC.

TAX STATUS OF THE COMPANY AND ITS SUBSIDIARIES

General

The Company’s subsidiaries pay taxes to the jurisdictions in which they were incorporated or in which they operate to the extent that they are subject to taxation in such jurisdictions. Briefly, the major operational activities of the Company and its subsidiaries are subject to taxation as follows:

Sales

Investors Overseas Services Limited, a Bahamian company, pays no income taxes nor is any withholding tax imposed on dividends paid by it. Its affiliates, I.O.S. of Canada Ltd. and Investors Overseas Services (U.K.) Limited, are subject to corporate income taxes in Canada and the United Kingdom, respectively and dividends paid by them are subject to withholding taxes imposed by those countries. All profits of Fideuram from the distribution of shares of Fonditalia in Italy are subject to tax at ordinary corporate rates in Italy and when distributed as dividends are subject to an Italian dividend withholding tax.

Fund Management

IOS Management, as a non-resident Canadian company, is not subject to Canadian taxation on its earnings nor are its earnings when distributed as dividends to its shareholders subject to Canadian withholding tax at source. The same is true for its subsidiaries, except that the management fee paid by Regent Fund to Canadian Management is subject to a Canadian withholding tax of 15%. Other management subsidiaries of the Company are not subject to tax on income or dividend distributions, except that (i) In-

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vestors Fonds KAG is fully subject to German taxes on both, (ii) Regent Fund Advisers (1963) Ltd. is fully subject to Canadian taxes on both and (iii) the management fee paid by Venture Fund to IOS Venture Management is subject to a Canadian 15% withholding tax.

Real Estate Sales and Management

Real Estate Holdings, as a non-resident English company, is not subject to tax on earnings nor is withholding tax on dividends paid by it deducted at source. Indevco is subject to no income taxes on revenues arising from its direct activities either in real estate or real estate investment management and its distributions to shareholders are free from withholding tax at source. Property Management S.A. is subject to Spanish taxes on income and must deduct Spanish withholding tax from dividends paid. Indevco Management Corporation, N.V. is subject to United States income taxes on the United States source income it receives as rental and management agent for The Hemispheres project.

Banking

Financial Holdings, as a non-resident English company, is not subject to tax on earnings nor is withholding tax on its dividends deducted at source. ODB, Orbis, IBL and Probanca are subject to taxation on earnings and their dividends are subject to withholding tax at normal rates prevailing in Switzerland, Germany, Luxembourg and Italy, respectively. Other subsidiaries of Financial Holdings are not subject to taxes in relation to earnings nor are their dividends subject to withholding tax.

Insurance

Insurance Holdings, as a non-resident Canadian company, is not subject to taxation on its earnings nor are its earnings when distributed to its shareholders subject to withholding tax at source. The taxability of its subsidiary, The International Life Insurance Company S.A., is regulated by a tax convention (expiring in 1971) concluded with the Grand Duchy of Luxembourg whereby corporate taxes on income are paid at an approximate rate of 12½% and dividend distributions are subject to a Luxembourg withholding tax of 9%. ILI/UK and IVM are subject to ordinary corporate income tax on earnings and distributions of such earnings as dividends are subject to withholding taxes at the normal rates prevailing in England and Holland, respectively.

Administrative and Service Companies

The Company operates administrative and service companies in France, Germany, Switzerland and other countries. These companies are all subject to tax in their countries of operation.

Swiss Taxes

Although the Company is not subject to tax on earnings in its jurisdiction of incorporation nor are its dividends subject to withholding tax, it is subject to Swiss taxes on income since it maintains its chief executive and administrative offices in Geneva. Pursuant to a tax convention concluded between the competent revenue authorities of the Federal Government of Switzerland and the Cantonal Government of Geneva, the Company has assumed all liability for the Federal or Cantonal taxes related to income which might otherwise be payable by those of its subsidiaries and affiliates (other than ODB) which also maintain their chief executive or administrative offices in Geneva.

Pursuant to this convention, it is estimated that sums payable to the Federal and Cantonal authorities with respect to income on activities of the Company and its subsidiaries and affiliates for 1968 will total approximately \$700,000.

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DESCRIPTION OF PROPERTIES

The location as at July 31, 1969 of the principal properties, including buildings and plants, of the Company and its subsidiaries were as follows:

Location and Description	Owned or Leased	Annual Rental	Expiration Date of Leases	Approximate Gross Area in square feet
Geneva, Switzerland				
Executive Offices(1): 119, rue de Lausanne and adjoining premises at 2-4 Avenue Sécheron	Leased	\$111,115	1975	50,300
Administrative Offices: 16, Chemin de la Voie Creuse	Leased	\$79,553	1972	29,446
Conference and training facilities: Bella Vista	Owned	.		9,688
Banking Offices(2): 40 & 23, rue du Rhône 121, rue de Lausanne	Leased	\$145,421	1972-74	29,063
Nyon, Switzerland(3) Data Processing Facility	Leased	\$30,174	1972	21,528
Ferney-Voltaire, France(4) Administrative Offices	Owned			172,224
England				
Executive offices of ILI/UK: Park House, Park Street, London W.1	Leased	\$28,545	1978	4,792
25/27 North Row, London W.1	Leased	\$64,875	1994	2,143
Administrative Offices: Wembley Park, Middlesex	Leased	\$357,046	2009	110,770
Canada				
Administrative and Sales Offices: Montreal	Leased	\$104,714	1975-77	20,513
Toronto	Leased	\$39,669	1974	12,527
Luxembourg(5)				
Banking Office: 19, rue Glesener	Leased	\$5,709	1971	3,444
Munich, Germany				
Administrative Offices: Hackenstrasse	Leased	\$32,006	1971	12,084
Data Processing Facility: Leonrodstrasse	Leased	\$104,601	1972	30,210
Banking Offices: Wurzerstrasse	Leased	\$132,296	1979	32,728
Arabellapark	Leased	\$30,332	1970	9,667
Mauerkircherstrasse	Leased	\$16,057	1972	6,546
Italy				
Banking Offices: Rome	Leased	\$65,956	1970-74	33,362
Milan	Owned			15,105

- The Company has an option to purchase control of a company owning the building at 119, rue de Lausanne and 2-4 Avenue de Secheron. The Company has leased 22,154 square feet of space for additional executive offices in a new building at 143, 145 and 147, rue de Lausanne. Occupancy will take place in October 1969. In addition, the Company is constructing a new office build-

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ing at 1 Avenue de la Paix adjacent to the new rue de Lausanne leased space. At estimated completion in September 1970, the building will have 60,924 square feet of gross space. The cost of completion of this building is estimated at \$5,000,000. Purchase is subject to the approval of appropriate government authority.

2. ODB is presently negotiating the purchase of property on the Quai Wilson in Geneva. It is contemplated that a new bank building will be housed on this site.
3. The Company has contracted for the construction of a new data processing center in Nyon. First stages of this building are scheduled for completion beginning October 1970.
4. See note 6 of "Notes to Consolidated Financial Statements" regarding the life of the buildings. Construction has begun on a permanent building, estimated to be completed in 1972.
5. The Company has contracted for the purchase of a building on 18, Avenue de la Liberté, Luxembourg. The building has 12,917 square feet of gross space and its cost is approximately \$325,000. The anticipated occupancy is spring 1970.

The Company's present executive offices in Geneva and its data processing center in Nyon are located in former residential apartment complexes which have been converted into business facilities. The completion of the new buildings described in the footnotes above should make the Company's administrative operations more efficient and convenient by centralizing facilities which are now at different locations in and around the city of Geneva.

THE IOS STOCK OPTION PLAN

From its incorporation in 1960, the Predecessor Company encouraged its officers, directors, employees and sales personnel to participate in the growth of the Predecessor Company through acquisition of its shares under a stock option plan. Pursuant to the said plan, over 80% of the outstanding shares of the Predecessor Company came to be held by such officers, directors, employees and sales personnel. The plan engendered a vital interest amongst such persons in the continued growth of the Predecessor Company and a large part of such growth can be attributed to the incentive afforded by the plan.

The Company has instituted The IOS Stock Option Plan (the "Plan"), a stock option plan which is virtually identical to the plan established by the Predecessor Company. The Plan is administered by The IOS Stock Option Plan Limited ("Plan Limited") and has been approved by the holders of both classes of shares of the Company. Under the Plan, active associates, employees and directors ("Associates") of The IOS Group are entitled to purchase numbers of preferred shares of the Company determined, in the case of sales personnel, by reference to their sales volume and, in the case of administrative and executive personnel, by an option committee composed of senior officers of the Company.

Each purchase by an Associate under the Plan is made at the formula value price in effect at the time such Associate becomes entitled to make such purchase. The formula value price per preferred share of the Company for purposes of the Plan is computed as of the last day of each calendar quarter and remains in effect throughout the following calendar quarter. The Plan provides in effect that the formula value price is the amount obtained by dividing the number of outstanding shares of the Company into the sum of

- (i) the net worth of the Company, plus
- (ii) net unearned first-year commissions on sales of mutual fund shares made up to the time of computation (assuming a specified delinquency factor), plus
- (iii) \$500 (U.S.) for each \$50,000 (U.S.) of sales made by active Associates prior to the time of computation, with a maximum of \$5,000 (U.S.) for any one Associate, plus
- (iv) \$35 (U.S.) for each \$1,000 (U.S.) of Company-managed mutual fund assets, plus
- (v) \$5 (U.S.) for each \$1,000 (U.S.) of Company-issued life insurance in force, plus
- (vi) an amount equal to three times the net earnings of The IOS Group for the preceding year from operations other than the mutual fund and life insurance businesses.

The Plan provides that a holder of preferred shares acquired under the Plan may not transfer any of such preferred shares to a third party unless Plan Limited is first given an opportunity to purchase such preferred shares at the formula value price then in effect under the Plan. In addition, a holder of preferred shares acquired under the Plan who has completed 10 years of active association with The IOS Group (or 5 years of such active association in the case of a holder who has attained age 55) may, within 30 days following

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such completion and within 30 days following each anniversary of such completion, elect to convert up to 10% of the preferred shares held by him on such completion into common shares of the Company. A holder of preferred shares under the Plan who is over 60 years of age may in each year convert up to 20% of the preferred shares so held by him on his 60th birthday. Holders of preferred shares who are not subject to the restrictions of the Plan have agreed to accept the same conversion rights as those possessed by persons holding preferred shares under the Plan who have completed 10 years of active association with The IOS Group. Common shares resulting from such a conversion are not subject to any of the provisions of the Plan.

All the shares of the Predecessor Company were originally owned by Bernard Cornfeld, and his shares of the Company (other than a limited number acquired by him pursuant to the Plan) are not subject to the terms and conditions of the Plan, including Plan limitations on transferability. From time to time Mr. Cornfeld has transferred certain of the shares of the Predecessor Company owned by him to others, with the consequence that such transferred shares are not subject to the terms and conditions of the Plan.

The percentages of shares of the Predecessor Company and the Company owned by Mr. Cornfeld, holders of unrestricted shares acquired from Mr. Cornfeld and holders of shares subject to the restrictions of the Plan have remained relatively stable during the past five years. Additionally, and largely due to the Predecessor Company's continuing practice of re-purchasing its shares whenever it had the right to do so, the total number of shares of the Predecessor Company outstanding (adjusted for intervening stock splits) remained relatively constant.

The following chart shows, as at the dates indicated, the percentage of the outstanding shares of the Predecessor Company owned by Mr. Cornfeld, the percentage owned by others free from the restrictions imposed by the Predecessor Company's stock option plan, the percentage held subject to the terms and conditions of such plan and the total number of outstanding shares of the Predecessor Company:

Date	Unrestricted Owned By Mr. Cornfeld	Unrestricted Owned By Others	Restricted Under Plan	Shares Outstanding
December 31, 1965.....	18.7%	3.1%	78.2%	1,580,515
December 31, 1966.....	18.4	3.0	78.6	3,075,676
December 31, 1967.....	18.3	3.0	78.7	6,012,551
December 31, 1968.....	18.2	2.4	79.4	5,950,292

On completion of this offering, the percentage of the outstanding preferred shares of the Company owned by Mr. Cornfeld, the percentage owned by others free from the restrictions imposed by the Plan, the percentage held pursuant to the terms and conditions of the Plan and the total number of outstanding preferred shares of the Company will be as follows:

Unrestricted Owned By Mr. Cornfeld	Unrestricted Owned By Others	Restricted Under Plan	Shares Outstanding

OPTIONS TO PURCHASE SECURITIES OF THE COMPANY

The only outstanding options to purchase securities of the Company at July 31, 1969 were options to purchase preferred shares of the Company granted pursuant to The IOS Stock Option Plan described on page 16 hereof. The market values of the preferred shares at the dates such options were granted and at July 31, 1969 are not reasonably ascertainable. Details of outstanding options at July 31, 1969 (before giving effect to the supplementary letters patent dated September 9, 1969 referred to under the heading "Corporate Details of the Company" on page 5 hereof) are as follows:

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Options Held by Directors and Senior Officers of Subsidiaries	Options Held by Other Employees of Subsidiaries	Options Held by Others	Option Price Per Share
5,000	5,000		\$ 8.49
	2,100		10.43
	1,478		11.52
	764		6.04
	7,542		6.87
	5,704		7.19
	9,134		8.69
	24,036	2,800	10.16
	71,140	2,400	12.95
	10,874		14.49

PENSION AND PROFIT SHARING PAYMENTS

The Predecessor Company in the past allocated 5% of its net operating profits on a consolidated basis to benefit all salaried administrative and executive personnel of the Company and its subsidiaries. Out of the 5% so allocated, an amount equal to 4% of the gross salary earned by all administrative personnel who received a salary less than \$10,000 (U.S.) (or the local currency equivalent) per year was contributed to a Pension Plan for the benefit of such employees. An employee's right to receive the contribution made on his behalf by the Company to the Pension Plan vested according to a schedule of years of service completed; in the event that an employee terminated his association with the Company and any or all of the contribution made with respect to such employee was not vested, such amount reverted to the Pension Plan and was used to reduce the contribution which the Company would otherwise have had to make with respect to other employees. The portion of the 5% of the net profits remaining after the contribution to the Pension Plan was distributed to employees earning in excess of \$10,000 (U.S.) in proportion to the salary received during the year when the net profits were earned. The Company intends to continue these practices in the future.

CAPITALIZATION

	Amount Authorized	Amount Outstanding at June 30, 1969	Amount Outstanding at July 31, 1969	Amount to be Outstanding if all Securities being Issued are Sold
I.O.S., Ltd.				
Shareholders' Investment:				
Preferred shares of the par value of 25¢ (United States currency) each.....	250,000,000 ⁽¹⁾	—	—	• (\$ •)
Common shares of the par value of 25¢ (United States currency) each.....	500,000,000 ⁽²⁾	—	—	• (\$ •)
Consideration received in excess of par value ⁽³⁾	—	\$7,666,000	\$7,666,000	\$ •
Amounts due on subscriptions for shares....	—	\$5,184,000	\$5,184,000	\$ •
Aggregate amount of minority interest in common shares and surplus of consolidated subsidiaries.....	—	\$1,808,000	\$1,808,000	\$ •
Aggregate amount of minority interest in common shares and surplus of unconsolidated subsidiaries whose financial statements are contained herein.....	—	\$2,581,000	\$2,581,000	\$ •
Investors Overseas Services Management Limited				
Debt:				
5% unsecured convertible debentures due March 15, 1972.....	\$1,000,000	\$ 39,000	\$ 38,000	—

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NOTES:

1. Includes an aggregate of ● preferred shares reserved for issuance under The IOS Stock Option Plan and under an option to purchase ● preferred shares pursuant to an acquisition agreement dated June 2, 1966.
2. Includes an aggregate of ● common shares reserved for future conversions of outstanding and reserved preferred shares.
3. Consideration received in excess of par value, as adjusted, is presented prior to the Company's payment of expenses arising in connection with this and the other offerings, estimated at \$ ● .
4. Reference is made to the table under the sub-heading "Description of Properties" on page 23 hereof for information concerning the Company's obligations under certain leases.
5. The table of capitalization excludes external indebtedness for borrowed money of certain unconsolidated subsidiaries. At June 30, 1969, such indebtedness included: (a) \$35,433,000 in 6¼% to 11¼% revolving loans to a finance subsidiary from unaffiliated banks for collateralized extensions of credit to Company clients to facilitate their purchase and carrying of mutual fund shares and (b) \$3,244,000 borrowed by insurance subsidiaries. In addition, at June 30, 1969, the Company's bank subsidiaries held \$97,766,000 in deposits from customers and other banks.
6. The Company has arranged for two lines-of-credit from two unaffiliated banks of \$628,600 each at 5¼% interest in connection with the construction of an office building to be built at 1 avenue de la Paix, Geneva, Switzerland. Purchase of the land cannot be completed by the Company until approval for such purchase is obtained from Swiss authorities.

DIVIDEND POLICY

It is anticipated that no cash dividends will be paid to shareholders of the Company during the next several years but that stock dividends will be declared at least annually.

The Company's counsel are of the opinion that, as the Company is a non-resident corporation for purposes of the Income Tax Act (Canada) and as more than 50% of the voting shares of the Company belong to non-residents of Canada, a shareholder resident in Canada will not be required to include in his income for Canadian income tax purposes the value of any stock dividends received by him from the Company. No withholding or similar tax is deducted from dividends paid by the Company. Under present Canadian law, a shareholder resident in Canada will not be entitled to a dividend tax credit for Canadian income tax purposes in respect of cash dividends received from the Company.

DESCRIPTION OF SHARE CAPITAL

GENERAL

The authorized capital of the Company consists of 250,000,000 preferred shares of the par value of 25¢ (United States currency) each ("preferred shares") and 500,000,000 common shares of the par value of 25¢ (United States currency) each ("common shares"). Neither class of shares entitles a holder thereof to any pre-emptive rights with respect to the issue of additional securities of the Company and neither class may be redeemed, purchased for cancellation or surrendered. There are no sinking or purchase fund provisions relating to either class of shares of the Company. At the time of delivery of certificates for the common shares offered hereby, such shares will be issued as fully paid and non-assessable.

DIVIDEND, LIQUIDATION AND DISTRIBUTION RIGHTS

The preferred shares and the common shares rank equally with respect to all payments to shareholders of the Company by way of dividend or distribution of assets on the liquidation, dissolution or winding-up of the Company.

The board of directors of the Company may declare dividends payable in cash or shares of the Company. Any dividend declared payable in shares must be paid in common shares on all outstanding shares in the capital of the Company, except that

- (i) if such dividend per share would have been equal to at least one common share, such dividend may be paid in preferred shares to the holders of preferred shares and in common shares to the holders of common shares; and
- (ii) the board of directors may, in its discretion, grant to the holders of common shares the right to receive, at their option, cash or common shares in satisfaction of any such dividend.

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If, on the declaration of a dividend payable in shares of the Company, a shareholder would be entitled to receive a fraction of a share, the Company may, in lieu of issuing such fraction of a share, pay to such shareholder an amount in cash equal to the value of such fraction of a share.

VOTING RIGHTS

The holders of preferred shares and the holders of common shares are entitled to one vote in respect of each share held at all meetings of shareholders of the Company. However, if the Company has in either of the two preceding calendar years paid a cash dividend of at least 1¢ per share or a stock dividend equivalent in value to at least 1¢ per share on each outstanding share of the Company,

- (i) the holders of preferred shares, voting separately and as a class, are entitled to elect $\frac{2}{3}$ of the directors of the Company, and*
- (ii) the holders of common shares, voting separately and as a class, are entitled to elect the remaining directors of the Company.*

CONVERSION RIGHTS

The Company may from time to time permit a registered holder of preferred shares to convert a specified number of such preferred shares into common shares on the basis of one common share for each preferred share converted. The Company may not authorize more than 20% of the preferred shares outstanding on January 1 in any year to be converted into common shares in such year.

RESTRICTIVE PROVISIONS

Without the approval of the holders of each class of shares of the Company given in the manner specified in the provisions attaching to such shares,

- (i) no additional preferred shares of the Company may be issued except under The IOS Stock Option Plan or as a result of the payment of a stock dividend;
- (ii) no new classes of shares may be created,
- (iii) none of the provisions attaching to the shares of the Company may be amended,
- (iv) none of the shares of the Company may be consolidated, reclassified or changed,
- (v) the Company may not voluntarily wind-up or dispose of its assets as an entirety, and
- (vi) the Company may not amalgamate or merge with or into any other company.

PLAN OF DISTRIBUTION

Under an agreement made between J. H. Crang & Co. (the "Canadian Underwriter") and the Company and the selling shareholders described under the heading "Principal Holders of Securities" on page 33 hereof (the "Selling Shareholders"), the Company has agreed to issue and sell and the Selling Shareholders have agreed to sell and the Canadian Underwriter has agreed to purchase, as principal, ● of the shares comprising this new and secondary issue. The Selling Shareholders have also agreed with Investors Overseas Bank Limited ("IOB") that IOB, acting as agent for the Selling Shareholders, will offer to executives, employees and associates of the Company ● of the shares comprising this new and secondary issue. In addition, the Company has agreed to issue and sell and a group of United Kingdom and European underwriters has agreed to purchase the remaining ● shares comprising this new and secondary issue. All such shares will be sold by the Company and the Selling Shareholders at a price of \$ ● per share payable in cash against delivery on or about October ●, 1969.

The obligations of the Canadian Underwriter and the said United Kingdom and European underwriters (the "Underwriters") to take up the said shares are subject to fulfilment of certain conditions precedent. The Underwriters are committed to take up and pay for all the shares which they have agreed to purchase if any of such shares are taken up.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

The Canadian Underwriters, together with other investment dealers in Canada, will effect primary distribution of ● of the common shares hereby offered to the public in Canada; the said United Kingdom and European underwriters, together with other investment bankers in Europe and investment dealers in the United Kingdom, will effect primary distribution of ● of the common shares comprising this new and secondary issue to the public in Europe and the United Kingdom; and IOB, acting as agent for the Selling Shareholders, will effect primary distribution of ● of the common shares comprising this new and secondary issue outside Canada to executives, employees and sales associates of the Company and other persons associated with the Company.

Primary distribution to the public of all of the common shares comprising this new and secondary issue will be at the price set forth on the cover of this prospectus.

USE OF PROCEEDS

The proceeds amounting to \$ ● to be derived by the Company, after payment of the expenses of this issue estimated at \$ ●, will be added to working capital. It is contemplated that the increased working capital will be used to develop and expand the activities of The IOS Group, primarily in the banking and insurance areas.

MANAGEMENT OF THE COMPANY

The names, home addresses and principal occupations within the five preceding years of the directors and officers of the Company are as follows:

<u>Directors and Officers</u>	<u>Home Address</u>	<u>Company Office Held</u>	<u>Principal Occupation(s) within the five preceding years</u>
MARTIN MONTAGUE BROOKE.....	Duxbury House,..... Chantry View Road, Guilford, Surrey, England	Director.....	Director, Guinness Mahon and Co. Ltd., London, England
CHRISTIAN HENRY BUHL, III*.....	Les Charmettes,..... Gland, Vaud, Switzerland	Director.....	President, IIT Management Company, S.A.
ALLEN RICHARD CANTOR*.....	Port Choiseul,..... Rue Marchard, Versoix, Geneva, Switzerland	Executive Vice-.... President and Director	President, Investors Overseas Services Limited
DR. PASQUALE CHIOMENTI.....	98, via Buozi,..... Rome, Italy	Director.....	Senior Partner, Studio Chiomenti, Rome, Italy
BERNARD CORNFELD*.....	218 rue de Lausanne,.. Geneva, Switzerland	President,..... Chairman of the Board and Director	President, Director and Chief Executive Officer I.O.S., Ltd. (S.A.)
EDWARD JOSEPH COUGHLIN, JR....	4 place de l'Etrier,.... Chêne-Bougeries, Geneva, Switzerland	Secretary.....	Secretary and Associate General Counsel, I.O.S., Ltd. (S.A.) (1965 to present), Associated with Messrs. Paul, Weiss, Goldberg, Rifkind, Wharton & Garrison, New York City (1955-1965)

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

<u>Directors and Officers</u>	<u>Home Address</u>	<u>Company Office Held</u>	<u>Principal Occupation(s) within the five preceding years</u>
EDWARD MORTON COWETT*	Villa Belle Haven, Cologny 1223, Geneva, Switzerland	Executive Vice- President and Director	Executive Vice-President and General Counsel, I.O.S., Ltd. (S.A.)
HARVEY FELBERBAUM	Piazza Monte Savello 30, Rome, Italy	Director	General Manager (1964 to present) and Sales Associate (1958 to 1964), Investors Overseas Services
RICHARD GANGEL*	26 Rutland Gate, London S.W.7, England	Director	Vice-President (1967 to present), General Manager (1964 to 1967) and Sales Associate (1959 to 1964), Investors Overseas Services
KENT GORDIS**	Grande Coudre, Celigny, Vaud, Switzerland	Vice-President	President, International Scientific Systems Limited
RICHARD HAMMERMAN	26 Kingston House South, Ennismore Gardens, London S.W.7, England	Director	President, The International Life Insurance Company (U.K.) Ltd.
BEN HEIRS**	27 chemin de Bougeries, Chêne-Bourg, Geneva, Switzerland	Director	Senior Officer of Predecessor Company's Banking Organization
ROY KIRKDOFFER*	Ilchester House, Winnington Road, London N.2, England	Director	Chairman and Managing Director, Investors Overseas Services (U.K.) Limited (1968 to present), General Manager (1965 to 1968) and Sales Associate (1959 to 1965), Investors Overseas Services
GEORGE LANDAU*	4 rue des Granges, Geneva, Switzerland	Vice-President and Director	Vice-President, I.O.S., Ltd. (S.A.)
JAY FRANCIS LEARY	53 route de Suisse, Nyon, Vaud, Switzerland	Assistant- Secretary	Attorney, associated with Willkie Farr & Gallagher, New York City (1963 to 1967); officer of various subsidiaries of the Company (1967 to date)
MELVIN LECHNER	4 place de L'Etrier, Chêne-Bougeries, Geneva, Switzerland	Treasurer	Certified Public Accountant, Finance Division, Predecessor Company (1966 to present), Associated with Arthur Andersen & Co., New York City (1960 to 1966)

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

<u>Directors and Officers</u>	<u>Home Address</u>	<u>Company Office Held</u>	<u>Principal Occupation(s) within the five preceding years</u>
ERICH MENDE.....	Am Stadtwald, Bad Godesburg, Germany	Director.....	President, Investors Overseas Services in Deutschland GmbH (1967 to present), Vice Chancellor and Member of Bundestag, Republic of West Germany (1949 to present)
GEORGE VON PETERFFY.....	6 Coolidge Hill Road, Cambridge, Mass., U.S.A.	Director.....	Associate Professor, Harvard Business School
NORMAN ROLNICK.....	1249 Avully, Geneva, Switzerland	Assistant..... Treasurer	Comptroller I.O.S., Ltd. (S.A.)
JAMES ROOSEVELT*.....	Villa Beauvoir, 97 chemin de Ruth, Cologny, Geneva, Switzerland	Director.....	President and Director, IOS Development Com- pany Limited (1967 to present), Permanent U.S. Representative to Committee II of the United Nations and Member of Delegation from the United States to the United Nations General Assembly (1965- 1966), Member of the United States House of Representatives (1952-1965)
LAWRENCE ROSEN.....	Chemin des Palettes 31, Grand Lancy, Geneva, Switzerland	Assistant..... Secretary	Officer of Predecessor Company's Sales Organization
MARTIN SELIGSON*.....	Chemin des Hauts- Crets 19, Cologny, Geneva, Switzerland	Director.....	President, Investors Development Corporation Limited (1964 to present), President and director, Atlantic Improvement Corporation, New York City (1960 to 1964)
BARRY HARMAN STERLING*.....	41 Avenue Foch, Paris, France	Director.....	President, IOS Financial Holdings Limited (1968 to present) General Manager, IOS Development Company Limited (1967- 1968), Senior Partner, Hindin, Sterling, McKittrick & Powsner, Beverly Hills, California (1960 to 1967)

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

<u>Directors and Officers</u>	<u>Home Address</u>	<u>Company Office Held</u>	<u>Principal Occupation(s) within the five preceding years</u>
ROBERT SUTNER.....	299 Highland Avenue, Ridgewood, New Jersey, U.S.A.	Director.....	Officer of Predecessor Company's Sales Organization
GEORGE TREGEA*.....	Quai Wilson 43,..... Geneva, Switzerland	Director.....	Senior Officer of Predecessor Company's Sales Organization
ELI WALLITT*.....	57 route de Collex,..... Bellevue, Geneva, Switzerland	Director.....	Field Director (1964 to present) and General Manager (1959 to 1964), Investors Overseas Services
IRA WEINSTEIN.....	12 Rosemount Avenue, Westmount, Quebec, Canada	Director.....	President, I.O.S. of Canada Ltd.
SIR ERIC WYNDHAM WHITE*.....	1, Place de la..... Taconnerie, Geneva, Switzerland	Vice-President... and Director	Vice-President, I.O.S., Ltd. (S.A.) (1968 to present), Director General, General Agreement on Tariffs and Trade (GATT)
WILSON WATKINS WYATT.....	1001 Alta Vista Road,.. Louisville, Kentucky, U.S.A.	Director.....	Senior Partner, Wyatt, Grafton and Sloss, Louisville, Kentucky, U.S.A. (1963 to present), Lieutenant-Governor, State of Kentucky (1959 to 1963)

*Denotes Member of Executive Management Committee ("the Committee"). The by-laws of the Company vest in the Committee all residual powers of the board of directors in the interim between meetings of the directors and empower the Committee to take all action that might be taken by the board. The Committee is appointed by the board annually and holds regular meetings at least monthly. All directors who are not specifically appointed to the Committee are invited to attend and vote at all meetings. Mr. Edward M. Cowett is the Chairman of the Committee.

**Denotes ex-officio, non-voting member of the Committee.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration (exclusive of commissions) paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company as a group during the financial year of the Company ended December 31, 1968, was nil and during the seven months ended July 31, 1969 was \$849,000.

The aggregate direct remuneration (exclusive of commissions) paid or payable by the Predecessor Company and its subsidiaries to the directors and senior officers of the Predecessor Company (all of whom are now directors and/or senior officers of the Company) as a group during the financial year of the Predecessor Company ended December 31, 1968, was \$1,276,000 and during the period ended July 31, 1969 was \$787,000.

ESCROWED SHARES

Under the Company's Stock Option Plan, The IOS Stock Option Plan Limited has the right, in certain events, to repurchase preferred shares acquired by participants under such Stock Option Plan and, in certain cases, The IOS Stock Option Plan Limited may elect to effect such a repurchase on an instalment basis over

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

a period of five years. During such five year period any preferred shares being so repurchased are held in escrow by Crédit Suisse, Zurich, Switzerland. As of the date hereof • preferred shares were so held in escrow.

PRINCIPAL HOLDERS OF SECURITIES

No person or company owns beneficially, directly or indirectly, at the date hereof more than 10% of either class of shares of the Company except as indicated in the following table:

Name and Address	Designation of Class	Type of Ownership	Number of shares Owned	Percentage of Class
Bernard Cornfeld 218 rue de Lausanne Geneva, Switzerland	Common	Of record	•	• %
		and beneficially		
	Preferred	Beneficially	•	• %
		Of record	•	• %
		and beneficially		
		Beneficially	•	• %

At the date hereof the directors and senior officers of the Company as a group beneficially own, directly or indirectly, • % of the issued common shares and • % of the issued preferred shares of the Company.

Particulars of the number of common shares of the Company owned and to be owned prior to and after the completion of this offering by all the Selling Shareholders who, prior to completion of this offering, owned more than • common shares are as follows:

Name of Selling Shareholder	Number of common shares owned prior to this offering	Number of common shares to be owned after completion of this offering
Bernard Cornfeld.....	•	•
George Landau.....	•	•
Donald Q. Shaprow.....	•	•
Gladis Solomon.....	•	•
Richard M. Hammerman.....	•	•
Allen R. Cantor.....	•	•
Jack Himes.....	•	•
George Tregea.....	•	•
Robert Sutner.....	•	•
Lester Hayes.....	•	•

In addition • Selling Shareholders owned in the aggregate • common shares prior to completion of this offering and will own • common shares after completion of this offering.

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company at its principal office in Toronto, Canada is the transfer agent and registrar for the common shares and the preferred shares of the Company. The Royal Bank of Canada Trust Corporation Limited at its principal office in London, England is the branch transfer agent and registrar for such shares.

AUDITORS

The auditors of the Company are Arthur Andersen & Co., Beatengasse 9, 8001, Zurich, Switzerland.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, neither the Predecessor Company nor the Company nor any of their subsidiaries have entered into any material contracts within two years prior to the date hereof other than

- (i) the agreement dated June 20, 1969 (described under the sub-heading “History of the Company's Business” on page 4 hereof) under which the Company purchased all the assets of the Predecessor Company;
- (ii) an agreement (the “Purchase Agreement”) dated February 28, 1968, under which IOS Management purchased from the Predecessor Company all the issued and outstanding shares of FOF Management, IIT Management, and Canadian Management at a cost to IOS Management of 2,399,991 shares of IOS Management plus the sum of \$7,500,000. Under the Purchase Agreement, IOS Management also purchased from The Fund of Funds, Limited 650 common shares of The Fund of Funds, Limited at a cost of \$15,399, being the net asset value of such shares at the date of such purchase;
- (iii) an agreement made as of February 28, 1968 and amended as of August 1, 1968 (the “Option Agreement”), under which the Predecessor Company granted to IOS Management the right to purchase from the Predecessor Company or any of its other subsidiaries all the shares of any IOS subsidiary which at the time the right is exercised is entitled to manage a mutual fund whose net asset value is \$50,000,000 or more. IOS Management may exercise the said right at any time and from time to time during the period commencing on March 1, 1968 and ending on December 31, 1977 and so long thereafter as the Service Agreement hereinafter referred to continues in force. The Option Agreement provides that the purchase price of the shares of any IOS subsidiary so purchased by IOS Management is to be satisfied by the issue of shares of IOS Management. The maximum number of shares of IOS Management issuable on any such purchase is that number which will result in estimated annual earnings per share of IOS Management immediately after such purchase equalling the estimated annual earnings per share of IOS Management immediately before such purchase;
- (iv) an agreement (the “Service Agreement”) made as of February 28, 1968, under which the Predecessor Company agreed to provide the office space, staff, equipment and services necessary to the proper and efficient operation of IOS Management and those subsidiaries of IOS Management (the “Operating Subsidiaries”) which are mutual fund management companies. Pursuant to the Service Agreement, the Company is also obliged to bear all expenses of IOS Management and the Operating Subsidiaries other than applicable taxes assessed against IOS Management and/or the Operating Subsidiaries, fees paid to any registrar, transfer agent, trustee or custodian of securities of IOS Management or any of the Operating Subsidiaries and any costs incurred by IOS Management or any of the Operating Subsidiaries for printing and distribution of any periodic reports sent to shareholders. Under the Service Agreement, IOS Management is required to pay to the Company an annual fee of \$1,500,000. The Service Agreement provides for a proportionate downward adjustment of such annual fee in the event that the aggregate value of the net assets of all mutual funds under the management of IOS Management and the Operating Subsidiaries falls below \$600,000,000 and also provides for negotiation of an increase of such annual fee in the event of the acquisition by IOS Management of any management subsidiary or subsidiaries in addition to the Operating Subsidiaries. However, until such time as IOS Management acquires any additional management subsidiary or subsidiaries, the said annual fee will not exceed \$1,500,000 regardless of any increase in the value of the aggregate net assets of the mutual funds managed by IOS Management and the Operating Subsidiaries. The Service Agreement is in force for the period commencing on March 1, 1968 and ending on December 31, 1977 and thereafter from year to year unless terminated. The Service Agreement may be terminated only after December 31, 1977 and at least six (6) months' notice of termination must be given.
- (v) An agreement made as of November 19, 1968 under which IOS Management purchased from the Predecessor Company all the issued and outstanding shares of Fonditalia Management at a cost to IOS Management of 200,000 shares of IOS Management.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

- (vi) An agreement made as of May 2, 1969 under which IOS Management purchased from the Predecessor Company all the issued and outstanding shares of Venture Management at a cost to IOS Management of 920,000 shares of IOS Management.
- (vii) An agreement made as of July 29, 1969 under which IOS Management purchased from the Company all the issued and outstanding shares of IPI Management at a cost to IOS Management of 280,000 shares of IOS Management. Because the assets of IPI will not increase from continuous sales the said 280,000 shares of IOS Management was one half the number provided for by the Option Agreement for the purchase of a similar mutual fund management company.
- (viii) An agreement made as of August 20, 1969 under which IOS Management purchased from the Company all the issued and outstanding shares of Investors Fonds KAG at a cost to IOS Management of 219,200 shares of IOS Management.

Copies of such material contracts may be inspected at the head office of the Company, 800 Dorchester Boulevard West, Montreal, Canada and at the principal executive office of the Company, 119, rue de Lausanne, Geneva, Switzerland, during ordinary business hours during the course of primary distribution of the shares offered hereby and for thirty days thereafter.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 63 and 64 of The Securities Act, 1966 (Ontario), sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and sections 63 and 64 of The Securities Act, 1968 (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution, in certain events and subject to certain conditions:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus offering such security is received or is deemed to be received by him or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, if the final prospectus or any amended final prospectus offering such security, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such final prospectus or amended final prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above while still the owner of the security and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statement and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission based on non receipt of a prospectus must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

Financial Statements

Report of Independent Public Accountants

TO I.O.S., LTD.:

We have examined the consolidated balance sheet of I.O.S., Ltd. (a Canadian corporation) and Subsidiaries as of December 31, 1968, and the related statements of consolidated income and retained earnings for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries but we were furnished with reports of other auditors thereon. The information in Note 1 to the consolidated financial statements with respect to certain subsidiaries is presented on the basis of reports of other auditors.

In our opinion, based upon our examination and the reports of other auditors as referred to above, the above-mentioned financial statements present fairly the financial position of I.O.S., Ltd. and subsidiaries as of December 31, 1968, and the results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change explained in Note 1.

Zurich, Switzerland
April 15, 1969.

I.O.S., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.= \$1.08125 Can.)

ASSETS

	December 31, 1968	June 30, 1969	Pro Forma June 30, 1969
		(Unaudited)	(Unaudited)
		(000 omitted)	
CURRENT ASSETS:			
Cash, less amounts segregated for client trustee accounts (Note 13) . . .	\$18,669	\$11,378	\$
Securities at cost—			
Affiliated mutual funds (quoted market \$2,475,000 at December 31, 1968 and \$2,599,000 at June 30, 1969)	1,806	2,370	2,370
Convertible debentures of subsidiary	520	—	—
Receivables—			
Proceeds of sale of Investors Planning Corporation (Note 5)	8,639	5,870	5,870
Proceeds of public sale of shares of Investors Overseas Services Management Limited	3,460	—	—
Commissions, management fees, etc.	2,897	4,630	4,630
Associates' debit balances, less allowances for doubtful accounts of \$1,075,000 and \$1,347,000	2,276	2,199	2,199
Client accounts	1,246	5,019	5,019
Officers, directors and employees (Note 8)	854	1,751	1,751
Total current assets	<u>40,367</u>	<u>33,217</u>	<u> </u>
INVESTMENTS IN AND RECEIVABLES FROM UNCONSOLIDATED SUBSIDIARIES (Note 1):			
Investments, at cost plus equity in undistributed earnings	17,609	31,367	31,367
Receivables	4,727	14,186	14,186
	<u>22,336</u>	<u>45,553</u>	<u> </u>
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost (Note 6):			
Land	590	590	590
Buildings	2,330	4,118	4,118
Furniture and equipment	2,538	3,260	3,260
Leasehold improvements	974	1,196	1,196
	<u>6,432</u>	<u>9,164</u>	<u>9,164</u>
Less—Accumulated depreciation and amortization	1,420	1,844	1,844
	<u>5,012</u>	<u>7,320</u>	<u>7,320</u>
OTHER ASSETS:			
Branch working funds	1,290	1,392	1,392
Prepayments, deposits, other advances, etc.	1,304	3,324	3,324
Due from affiliates (Note 4)	426	1,467	1,467
	<u>3,020</u>	<u>6,183</u>	<u> </u>
Approved on behalf of the Board:	<u>\$70,735</u>	<u>\$92,273</u>	<u>\$</u>

....., Director

....., Director

The accompanying notes are an integral part of these Balance Sheets.

I.O.S., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.= \$1.08125 Can.)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	December 31, 1968	June 30, 1969	Pro Forma June 30, 1969
		(Unaudited)	(Unaudited)
	(000 omitted)		
CURRENT LIABILITIES:			
Payables—			
Associates' commissions.....	\$ 7,635	\$11,827	\$11,827
Advisory fees.....	2,978	131	131
Capital stock repurchases.....	1,965	3,850	3,850
Suppliers and others.....	1,268	1,730	1,730
Accrued expenses—			
Profit sharing and retirement plan.....	1,406	595	595
Expenses in connection with the sale of Investors Planning Corporation (Note 5).....	936	1,126	1,126
Income taxes.....	753	1,112	1,112
Other.....	4,277	3,313	3,313
	<u>21,218</u>	<u>23,684</u>	<u>23,684</u>
IOS INVESTMENT PROGRAM CLIENT TRUSTEE ACCOUNTS:			
Funds in process of investment.....	7,978	13,496	13,496
Funds held in escrow under letters of intent, etc.....	3,833	5,679	5,679
Amounts payable for liquidations.....	1,438	760	760
Prepaid life insurance premiums.....	1,189	1,184	1,184
	<u>14,438</u>	<u>21,119</u>	<u>21,119</u>
Less—Segregated cash and receivables for invested funds.....	<u>14,438</u>	<u>21,119</u>	<u>21,119</u>
	<u>—</u>	<u>—</u>	<u>—</u>
PAYABLE TO UNCONSOLIDATED SUBSIDIARIES.....	<u>595</u>	<u>1,021</u>	<u>1,021</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES.....	<u>245</u>	<u>1,807</u>	<u>1,808</u>
COMMITMENTS AND CONTINGENCIES (Notes 5 and 13)			
STOCKHOLDERS' INVESTMENT (Notes 1, 2, 3 and 4):			
Capital stock, authorized 40,000,000 shares, ● par value; issued 5,950,292 and 12,173,842 shares of which 329,809 and 660,444 shares are partially paid and held in escrow until fully paid	6,434	13,163	●
Preferred stock.....	—	—	●
Common stock.....	—	—	●
Consideration received in excess of par value.....	9,308	9,678	●
Less—Amounts due on stock subscriptions (Note 8).....	(4,093)	(5,184)	●
	<u>11,649</u>	<u>17,657</u>	●
Retained earnings.....	<u>38,147</u>	<u>48,103</u>	●
	<u>49,796</u>	<u>65,760</u>	●
Less—Treasury stock, 102,824 shares at cost at December 31, 1968....	(1,119)	—	●
	<u>48,677</u>	<u>65,760</u>	●
	<u>\$70,735</u>	<u>\$92,273</u>	\$ ●

The accompanying notes are an integral part of these Balance Sheets.

I.O.S., LTD. AND SUBSIDIARIES

Statements of Consolidated Income and Retained Earnings

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

	Year Ended December 31,					Six Months Ended June 30,	
	1964	1965	1966	1967	1968	1968	1969
				(000 omitted)		(Unaudited)	
Consolidated Income							
INCOME—MUTUAL FUNDS:							
Commissions earned.....	\$12,837	\$23,065	\$36,142	\$40,134	\$66,499	\$28,290	\$62,785
Less—Associates' commissions.....	8,050	13,633	22,148	24,430	41,794	17,887	43,779
Commission income.....	4,787	9,432	13,994	15,704	24,705	10,403	19,006
Management and service fees, interest, etc.....	1,175	2,472	4,038	6,964	9,804	3,344	8,032
Operating expenses—	5,962	11,904	18,032	22,668	34,509	13,750	27,038
Selling and administrative.....	4,031	7,633	13,045	22,949	31,309	12,821	21,415
Provision for depreciation and amortization (Note 6).....	86	178	359	405	617	303	457
	4,117	7,811	13,404	23,354	31,926	13,124	21,872
	1,845	4,093	4,628	(686)	2,583	626	5,166
EQUITY IN EARNINGS (LOSSES) OF UNCONSOLIDATED SUBSIDIARIES (Note 12):							
IOS Financial Holdings Limited and subsidiaries (Note 11).....	(10)	69	931	1,824	3,685	1,473	5,092
IOS Real Estate Holdings Limited.....	—	—	(206)	1,498	1,875	941	921
IOS Insurance Holdings Ltd. and subsidiaries.....	58	148	381	406	1,083	693	895
Investors Planning Corporation (Note 5).....	—	(366)	(216)	845	305	454	—
	48	(149)	890	4,573	6,948	3,561	6,908

INCOME-PROPRIETARY FUNDS (Note 11):

Advisory fees.....	—	60	433	2,293	5,273	1,359	291
Commissions, dividends and interest.....	—	—	100	3,047	2,656	886	784
	—	60	533	5,340	7,929	2,245	1,075
Income before minority interest and income taxes.....	1,893	4,004	6,051	9,227	17,460	6,432	13,149
INCOME APPLICABLE TO MINORITY INTEREST.....	—	(65)	(209)	(303)	(901)	(315)	(1,315)
Income before income taxes.....	1,893	3,939	5,842	8,924	16,559	6,117	11,834
INCOME TAXES (Note 9).....	73	264	292	1,016	1,022	219	536
Net income.....	\$ 1,820	\$ 3,675	\$ 5,550	\$ 7,908	\$15,537	\$ 5,898	\$11,298
Net income per share of capital stock and capital stock equivalent (Note 10).....	\$.189	\$.321	\$.453	\$.656	\$ 1.299	\$.495	\$.932

Consolidated Retained Earnings

BALANCE, BEGINNING OF PERIOD.....	\$ 922	\$ 2,742	\$ 6,417	\$ 8,670	\$11,630	\$11,630	\$38,147
Add:							
Net income.....	1,820	3,675	5,550	7,908	15,537	5,898	11,298
Net gain resulting from public sale of shares of Investors Overseas Services Management Limited (\$.968 per share—Note 10).....	—	—	—	—	11,525	5,843	—
Net gain on sale of investment in Investors Planning Corporation \$(.412 per share in 1968 and \$.133 per share in 1969—Note 5).....	—	—	—	—	4,930	—	1,606
DEDUCT:							
Special distribution (Note 10).....	—	—	—	—	(299)	(299)	—
Excess of purchase price of retired capital stock over the aggregate amounts received upon issuance (Note 4).....	—	—	(3,297)	(4,948)	(5,176)	(3,154)	2,948
BALANCE, END OF PERIOD.....	\$ 2,742	\$ 6,417	\$ 8,670	\$11,630	\$38,147	\$19,918	\$48,103

The accompanying notes are an integral part of these statements.

I.O.S., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (INCLUDING NOTES APPLICABLE TO UNAUDITED PERIODS)

1. Corporate Reorganization, Consolidation Principles, Investments, Etc.

On June 20, 1969, I.O.S. Holdings Ltd., an inactive, non-resident Canadian corporation, originally incorporated under the name of Dalmar Ltd. in 1953, acquired substantially all the assets and assumed all the obligations and liabilities of I.O.S., Ltd. (S.A.) in exchange for 6,118,699 shares of its U.S. \$1.00 par value capital stock. On June 27, 1969, the name of I.O.S. Holdings Ltd. was changed to I.O.S., Ltd. (the "Company") and the authorized capital of the Company was increased to \$40,000,000 divided into 40,000,000 shares of \$1.00 par value each.

The accompanying financial statements are presented on the basis of the Company continuing the business and operations of I.O.S., Ltd. (S.A.) and reflect the Company's investment and interest in the profits and losses of all subsidiary banks, finance, insurance and real estate companies. Since the assets of such companies represent, primarily, assets held on a fiduciary basis for nonaffiliated persons, it would be inappropriate to include such assets with those of I.O.S., Ltd. and its consolidated subsidiaries. In connection with the above, reference is made to the financial statements of IOS Financial Holdings Limited and subsidiaries, IOS Insurance Holdings Ltd. and subsidiaries and IOS Real Estate Holdings Limited which are presented elsewhere in this Prospectus. The accounts of all other significant subsidiaries are fully consolidated. Upon consolidation, all inter-company balances and transactions have been eliminated. Accounts maintained in currencies other than U.S. dollars have been translated into U.S. dollars at current or historical rates of exchange, as appropriate.

At December 31, 1968 and June 30, 1969 (unaudited), the Company's investment in its consolidated subsidiaries was exceeded by its equity in the net assets of such subsidiaries by \$23,917,000 and \$29,983,000. These amounts, representing the income of such subsidiaries since their inception or acquisition, have been included in consolidated retained earnings for the respective periods.

Investments in and receivables from unconsolidated subsidiaries as reflected in the accompanying balance sheets include the following:

	December 31, 1968		June 30, 1969 (Unaudited)	
	Direct and Indirect Interest	Investment Carrying Value	Direct and Indirect Interest	Investment Carrying Value
		(000 omitted)		(000 omitted)
Overseas Development Bank.....	100%	\$ 6,243 (a)	100%	\$10,026 (a)
Overseas Development Bank (Bahamas) Limited.....	100%	371 (a)	100%	1,457 (a)
Overseas Development Bank (Sterling) Limited.....	100%	324 (a)	100%	376 (a)
Orbis Bank GmbH.....	90%	735 (a)	90%	901 (a)
Banca Provinciale di Depositi e Sconti S.p.A. (Probanca).....	—	—	96%	7,173 (a)
Investors Bank Luxembourg, S.A.....	100%	621 (a)	100%	448 (a)
Financial Institutions Management N.V.....	—	—	100%	1,233 (a)
IOS Acceptance Company Limited (formerly O.D.B. Acceptance Company Limited).....	100%	509 (a)	100%	495 (a)
Investors Overseas Bank, Limited.....	—	—	100%	6,624 (a)
ICS Rediscount Corporation.....	100%	108 (a)	100%	108 (a)
IOS Financial Holdings Limited.....	100%	1,214 (b)	100%	1,696 (b)
IOS Insurance Holdings Ltd. (formerly The International Life Insur- ance Company, S.A.).....	78%	3,246 (c)	78%	9,225
Liquidations Limited (formerly Investors Overseas Bank Limited) ..	100%	5,160 (d)	—	—
I.O.S. Real Estate Holdings Limited (formerly Investors Develop- ment Corporation Limited).....	100%	3,537	100%	5,435
Other.....	—	268	—	356
		<u>\$22,336 (e)</u>		<u>\$45,553 (e)</u>
REPRESENTED BY:				
Direct and indirect interest.....		\$10,146		\$17,902
Accounts receivable.....		4,727		14,186
Undistributed earnings.....		7,463		13,465
		<u>\$22,336 (e)</u>		<u>\$45,553 (e)</u>

(a) Wholly-owned subsidiary of IOS Financial Holdings Limited (organized in 1968), except for Orbis Bank GmbH in which there is a 10% minority interest and Probanca in which there is a 4% minority interest.

(b) After deduction of the investment and equity of the companies indicated by (a).

(c) Including the investment and equity of Liquidations Limited which owned 59% of The International Life Insurance Company, S.A. at December 31, 1968.

- (d) After deduction of underlying investment and equity of The International Life Insurance Company, S.A. As of June 30, 1969, Liquidations Limited was dissolved.
- (e) Without deduction for amounts due to unconsolidated subsidiaries of \$595,000 at December 31, 1968 and \$1,021,000 at June 30, 1969 shown separately on the accompanying balance sheets.

The statements of consolidated income for 1965, 1966 and 1967 have been restated to account for the sale of Investors Planning Corporation, which was sold as of December 31, 1968 (see Note 5) on an equity basis. This change had no effect on net income or retained earnings for any period.

2. Pro Forma Transactions

The pro forma consolidated balance sheet as of June 30, 1969 (unaudited) is after giving effect to the following proposed transactions:

- (a) Issue of supplementary letters patent to the Company dated , 1969 changing the Company's authorized 40,000,000 shares of the par value of \$1 each into 250,000,000 preferred shares of the par value of 25¢ each and 500,000,000 common shares of the par value of 25¢ each. In connection therewith the 12,173,842 issued shares of capital stock as of June 30, 1969 have been converted into preferred shares and common shares.
- (b) Issue of common shares to the public at a price of \$ per share, for an aggregate cash consideration of \$.
- (c) Payment of underwriting commission of \$ and legal, auditing, printing and all other expenses of the public issue referred to in (b) and (c) above, estimated at \$.

3. Stock Subscription Plan

Under "The IOS Stock Option Plan", executives, associates, and key employees are offered capital stock of the Company at prices as determined by a current valuation formula. Shares issued under this Plan may not be sold or transferred unless first offered to the Company at the latest quarterly formula valuation price. The majority of the Company's capital stock has been issued under this Plan. Reference is made to pages 24 and 25 in this Prospectus regarding subsequent changes in this Plan in connection with the recapitalization effective September , 1969.

In addition, the Company has entered into an agreement with an officer which provides for the future issuance of a total of 122,400 shares at December 31, 1968 and 236,800 shares at June 30, 1969 of capital stock or, at the Company's option, for the payment of an amount representing the formula valuation price of such shares at the time of exercise by the Company or the officer. Under certain conditions as provided by the agreement, the shares issued may be sold or transferred without being first offered to the Company.

Information for the three years ended December 31, 1968 and the six months ended June 30, 1968 and 1969 with respect to options under the Plan is as follows:

	Number of Shares (a)	Option Price		Market Value	
		Per Share	Total	Per Share (d)	Total
Shares under Option at:					
June 30, 1969.....	545,508	\$4.25 to \$12.95	\$3,505,000	\$ 4.25 to \$12.95 (b)	\$3,505,000
December 31, 1968.....	417,968	3.97 to 10.16	1,251,000	3.97 to 10.16 (b)	1,251,000
Options Exercised during:					
Six Months ended June 30,					
1969.....	554,392	4.25 to 14.49	5,743,000	12.95 to 14.49 (c)	7,467,000
1968.....	408,688	3.45 to 7.19	2,333,000	6.87 to 7.19 (c)	2,860,000
Year ended December 31,					
1968.....	914,202	2.97 to 10.16	5,987,000	6.87 to 10.16 (c)	7,597,000
1967.....	828,240	2.32 to 6.04	3,913,000	4.60 to 6.04 (c)	4,567,000
1966.....	862,016	0.45 to 3.97	2,444,000	2.97 to 4.25 (c)	3,117,000

- (a) After giving retroactive effect to all stock dividends up to and including June 30, 1969.
- (b) At dates options were granted.
- (c) At dates options were exercised.
- (d) Market value per share represents the formula value prices in effect during each period.
- (e) No information is shown regarding options which became exercisable during the periods since options are normally exercised shortly after having been offered.

The excess of proceeds received over the par value of shares issued is credited to "consideration received in excess of par value" and no charge against income has been made in connection with stock options.

4. Capital Changes

A summary of changes in capital, for the three years and six months ended June 30, 1969, is as follows:

	Capital Stock		Excess of Par Value
	Shares*	Amount	
			(000 omitted)
Balance, December 31, 1965.....	1,580,515	\$ 1,709	\$ 4,244
100% stock dividend.....	1,580,515	1,709	(1,709)
New issues during 1966.....	213,004	230	2,213
Excess of proceeds over cost of treasury shares resold.....	—	—	62
	<u>3,374,034</u>	<u>\$ 3,648</u>	<u>\$ 4,810</u>
Retirement of repurchased capital stock.....	(298,358)	(323)	(199)
Balance, December 31, 1966.....	3,075,676	\$ 3,325	\$ 4,611
100% stock dividend.....	3,060,014	3,309	(3,309)
New issuances during 1967.....	339,835	368	3,545
	<u>6,475,525</u>	<u>\$ 7,002</u>	<u>\$ 4,847</u>
Retirement of repurchased capital stock.....	(462,974)	(501)	(123)
Balance, December 31, 1967.....	6,012,551	\$ 6,501	\$ 4,724
New issuances during 1968.....	457,101	495	5,493
Retirement of repurchased capital stock.....	(519,360)	(562)	(909)
Balance, December 31, 1968.....	5,950,292	\$ 6,434	\$ 9,308
100% stock split.....	6,118,699	6,616	(6,616)
New issuances January-June 1969.....	282,792	306	5,437
Proceeds from conversion of debentures of consolidated subsidiary.....	—	—	2,012
	<u>12,351,783</u>	<u>\$13,356</u>	<u>\$ 8,129</u>
Retirement of repurchased capital stock.....	(177,941)	(191)	(463)
Balance, June 30, 1969.....	<u>12,173,842</u>	<u>\$13,163</u>	<u>\$ 9,678</u>

*Including shares issued and held in escrow.

The excess of purchase price over par value upon retirement of repurchased capital stock is allocated between capital surplus (captioned as "consideration received in excess of par value" in the accompanying financial statements) and retained earnings. On a specific identification basis, capital surplus is charged with the amount in excess of par value which was received upon original issuance of such capital stock, and retained earnings is charged with the remainder of the excess.

In 1969, prior to the exchange of the Company's capital stock for the assets of I.O.S., Ltd. (S.A.) (more fully described in Note 1 above), the treasury stock of I.O.S., Ltd. (S.A.) was sold at cost to an affiliated third party. The proceeds of the sale are included in "Due from affiliates" in the accompanying balance sheet at June 30, 1969.

5. Divestiture of Investors Planning Corporation of America

Under the settlement effective June 5, 1967 between the Company and the U.S. Securities and Exchange Commission, the Company, among other things, agreed to either sell its entire interest in Investors Planning Corporation of America to an unaffiliated person or to make arrangements, suitable to the S.E.C., to transfer operations and management control to an unaffiliated person.

Suitable arrangements were concluded during 1968 whereby the assets (subject to certain liabilities) as of December 31, 1968, which constituted the domestic operations of Investors Planning Corporation were sold to an unaffiliated third party for an aggregate payment of an amount equal to the book value of the assets (in excess of certain liabilities) plus \$7,352,000. After consideration of minority interest, the sales proceeds to I.O.S., Ltd. amounted to \$8,639,000 including a note receivable due March 31, 1970, without interest, in the face amount of \$2,189,000. In accordance with the terms of the sales agreement the note is held in escrow and is subject to reduction prior to or on the due date, by the amount of the Company's proportionate share of (a) any loss that might be incurred in the realization of the transferred current assets, or (b) any loss due to breach of the representations or warranties contained in the sales agreement. The agreement also provides that I.O.S., Ltd. will receive from the purchaser its proportionate share of any excess of realized assets over book value.

Simultaneously with the above sale, the Company also caused to be sold to the same party its entire interest (72%) in Pension Life Insurance Company receiving as consideration a note receivable due March 31, 1970, without interest, in the face amount of \$2,163,000 which amount, after estimated expenses of sale, approximates the investment cost. In accordance with the terms of the sale agreement, the note is held in escrow and is subject to reduction in face amount, prior to or on the due date, if the net worth of Pension Life is subsequently determined to be less than the amount stipulated in the sales agreement. The investment in Pension Life Insurance was held by Liquidations Limited (formerly Investors Overseas Bank Limited) which was liquidated on June 30, 1969 (for further details see Notes to Consolidated Financial Statements of IOS Financial Holdings Limited included elsewhere in this Prospectus).

On April 1, 1969, an agreement was reached whereby the assets which constituted the international operations of Investors Planning Corporation were sold to an unaffiliated third party for \$2,352,000. After consideration of minority interests, the sales proceeds to I.O.S., Ltd. amounted to \$1,901,000 including a non-interest bearing note receivable in the face amount of \$1,081,000 due June 11, 1970 subordinated to all claims of all present and future creditors of the purchaser. In accordance with the terms

of the sales agreement, the principal amount of the note is subject to reduction under the same conditions as set forth above relating to the sale of the domestic operations of Investors Planning Corporation.

6. Property, Equipment and Leasehold Improvements

It is the policy of the Company to provide for depreciation of depreciable properties at rates which, from past experience and current conditions, are adequate to extinguish the cost of the properties, less salvage value, over the estimated service lives of the properties. The rates used are as follows:

	Per Cent
Buildings.....	5 - 20
Furniture and Equipment.....	10 - 20
Leasehold Improvements.....	10

The cost of ordinary maintenance and repairs are charged to operations as incurred. Major renewals and betterments are capitalized. The costs and related accumulated depreciation and amortization of properties retired or otherwise disposed of are removed from the accounts upon disposal. Profits or losses on sales of properties are included in income.

7. Employees Retirement Plan

Effective January 1, 1966 the Company adopted the I.O.S. Employee Benefits Plan for all non-executive, salaried personnel employees of the Company and its subsidiaries, except for I.O.S. Insurance Holdings Ltd. and I.O.S. of Canada Limited, which have similar plans for their non-executive salaried employees.

The Company's annual contribution to the Plan is based on an amount equal to 4% of each employee's base annual salary, the total amount being deposited in segregated accounts maintained for the benefit of the Plan. Each employee is permitted to contribute 2% of his basic annual salary to the Plan.

In addition to the above, an allocation equal to 4% of each employee's base annual salary is made by the Company from its annual executive profit sharing contribution (this contribution representing 5% of net income before such deduction).

Direct contributions to the Plan and allocation of profit sharing to the Plan charged to income by the Company were as follows (000 omitted):

Year Ended December 31,	Amount
1968.....	\$116
1967.....	98
1966.....	82
Six Months Ended June 30,	
1969.....	\$ 97
1968.....	82

There is no past service liability under this Plan.

8. Amounts Due From Directors and Officers

Amounts due from directors and officers of the Company for stock subscriptions and current receivables were as follows:

	December 31, 1968	June 30, 1969
	(000 omitted)	
Amounts due for:		
Stock subscriptions.....	\$398	\$570
Current receivables.....	306	138
Total.....	<u>\$704</u>	<u>\$708</u>

9. Income Taxes

Income taxes represent income and similar taxes. In addition to the amounts shown above, the Company's equity in earnings of unconsolidated subsidiaries is net of income and similar taxes provided by such companies. Total income and similar taxes of all companies were as follows:

	I.O.S., Ltd. and Consolidated Subsidiaries	Unconsolidated Subsidiaries	Total
Year Ended December 31,		(000 omitted)	
1964.....	\$ 73	\$ —	\$ 73
1965.....	264	88	352
1966.....	292	113	405
1967.....	1,016	546	1,562
1968.....	<u>1,022</u>	<u>1,389</u>	<u>2,411</u>
Six Months Ended June 30,			
1968.....	\$ 219	\$ 682	\$ 833
1969.....	<u>536</u>	<u>626</u>	<u>1,162</u>

10. Net Income Per Share

Net income per share of capital stock and per equivalent share of capital stock was computed by dividing net income by the average number of shares of capital stock and capital stock equivalent outstanding, after giving retroactive effect to stock dividends, during each period. Shares under option under "The IOS Stock Option Plan" (described in Note 3) have been considered to be the equivalent of capital stock during each of the periods covered and have been added to the number of shares of capital stock outstanding. This increase in the number of capital shares was reduced by the number of capital shares which are assumed to have been purchased with the proceeds from the exercise of the options; these purchases were assumed to have been made at the latest formula value price, which exceeded the exercise price, effective during each period covered.

The Company has followed the policy of retaining all earnings in the past; accordingly, no data are shown for dividends per share. However, during 1968, the Company made a special distribution to its stockholders of \$299,000 face amount of convertible debentures of Investors Overseas Services Management Limited.

11. Income-Proprietary Funds

Income—Proprietary Funds represents fees and other income received from F.O.F. Proprietary Funds Ltd. (a wholly-owned subsidiary of Fund of Funds, Limited). Advisory fees as shown above are net of sub-advisory fees and other expenses of \$ — in 1965, \$404,000 in 1966, \$2,381,000 in 1967, \$3,843,000 in 1968 and \$1,632,000 and \$815,000 for the six months ended June 30, 1968 and 1969, respectively.

In this connection, income from securities loan activities previously attributable to a management subsidiary of the Company is carried on by a subsidiary of IOS Financial Holdings Limited, effective January 1, 1969. Income from such activities of \$324,000 in 1967, \$697,000 in 1968 and \$324,000 in the six months ended June 30, 1968 is included in commissions, dividends and interest (Proprietary Funds); income for the six months ended June 30, 1969 of \$692,000 is included in the earnings of IOS Financial Holdings Limited.

12. Financial Statements of Unconsolidated Subsidiaries

Financial statements of IOS Financial Holdings Limited and subsidiaries, IOS Real Estate Holdings Limited and IOS Insurance Holdings Ltd. and subsidiaries for the years ended December 31, 1966, 1967 and 1968 and the six months ended June 30, 1968 and 1969 are presented elsewhere in this Prospectus.

13. Restrictions, Guarantees, Commitments, Etc.

As of December 31, 1968 and June 30, 1969, \$8,274,000 and \$7,686,000 of cash was in time and call deposits. At the same dates, \$1,806,000 and \$1,440,000 were in restricted deposits with various banks as collateral for guarantees made on behalf of the Company.

The Company has guaranteed bank loans and over-drafts to employees, associates, affiliated persons and others up to a maximum amount of \$2,757,000 and \$754,000 as of December 31, 1968 and June 30, 1969, respectively.

The Company is constructing new office facilities in various locations as follows:

<u>Location and Description</u>	<u>Estimated Completion Date</u>	<u>Anticipated Total Cost</u>
Geneva, Switzerland		
Office building.....	September, 1970	\$5,073,000
Nyon, Switzerland		
Data Processing Center.....	August, 1971	8,650,000
Ferney-Voltaire, France		
Office building.....	October, 1971	12,975,000
Luxembourg		
Office building.....	Spring, 1970	324,000

In addition, the Company has committed \$324,000 as of December 31, 1968 and June 30, 1969 through 1971 as a contribution toward the construction of an international school in Ferney-Voltaire, France. Rentals under leases extending three years or more after June 30, 1969 amount to approximately \$1,595,000 annually.

The Company has also contracted for minimum computer rentals of approximately \$297,000 per year.

14. Statements of Changes in Working Capital

The accompanying financial statements do not include statements of changes in working capital for the five years ended December 31, 1968 and the six months ended June 30, 1968 and 1969. Since the total assets and total liabilities are comprised primarily of current items and stockholders' investment and the only material item in noncurrent assets is "Investments in and receivables from unconsolidated subsidiaries", the changes therein more fully described in Note 1, it would be redundant to include such statements.

Report of Independent Public Accountants

TO IOS REAL ESTATE HOLDINGS LIMITED:

We have examined the balance sheet of IOS Real Estate Holdings Limited (a wholly-owned English subsidiary of I.O.S., Ltd.) as of December 31, 1968 and the related statements of income and retained earnings for the period from inception (October, 1966) to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of IOS Real Estate Holdings Limited as of December 31, 1968, and the results of its operations for the period from inception to December 31, 1968, in conformity with generally accepted accounting principles applied on a consistent basis.

Zurich, Switzerland
April 15, 1969.

Balance Sheets

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

ASSETS

	December 31, 1968	June 30, 1969
		(Unaudited)
	(000 omitted)	
CURRENT ASSETS:		
Cash, including \$2,407,000 on December 31, 1968 and \$635,000 on June 30, 1969 in affiliated banks.....	\$ 2,451	\$ 642
ACCOUNTS RECEIVABLE		
Customers.....	13,340	11,908
I.O.S., Ltd.....	2,956	—
Hemispheres Development Corporation.....	767	1,724
Other.....	34	427
	17,097	14,059
SALEABLE PROPERTY, at cost which is lower than market.....	176	199
Total current assets.....	19,724	14,900
NON-CURRENT CUSTOMERS' RECEIVABLES (Note 2).....	2,054	2,054
INVESTMENTS IN AND ADVANCES TO WHOLLY-OWNED UNCONSOLIDATED SUBSIDIARIES, at cost, net of loss from operations in 1968.....	331	3,448
OTHER ASSETS.....	75	74
	\$22,184	\$20,476

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:

Accounts payable—		
Due to contractors.....	\$11,766	\$ 7,777
Sales commissions due to Investors Overseas Services Limited.....	3,295	1,240
Due to affiliated companies.....	66	119
Other.....	62	—
	<u>15,189</u>	<u>9,136</u>

Accrued liabilities—

Transfer taxes.....	882	730
Other.....	369	33
	<u>1,251</u>	<u>763</u>

Total current liabilities

16,440	9,899
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DEFERRED COMMISSION INCOME (Note 3)

2,574	3,319
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STOCKHOLDERS' INVESTMENT (Note 1):

Capital stock.....	3	3,170
Retained earnings.....	3,167	4,088
Total stockholders' investment.....	3,170	7,258
	<u>\$22,184</u>	<u>\$20,476</u>

Approved on behalf of the Board:

....., Director , Director

The accompanying notes are an integral part of these Balance Sheets.

IOS REAL ESTATE HOLDINGS LIMITED

Statements of Income and Retained Earnings

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

	From Inception (October) to December 31,	Year Ended December 31,		Six Months Ended June 30,	
	1966	1967	1968	1968	1969
				(Unaudited)	
	(000 Omitted)				
SALES.....	\$ 1,013	\$12,941	\$14,637	\$ 7,738	\$ (9)
COST OF SALES (Note 4).....	935	11,038	12,155	6,617	59
Gross Profit.....	78	1,903	2,482	1,121	68
COMMISSION INCOME (Notes 3 and 4).....	—	—	277	—	1,250
	78	1,903	2,759	1,121	1,182
SELLING EXPENSES (Note 3).....	82	119	200	57	90
ADMINISTRATIVE EXPENSES (Note 3).....	204	370	707	225	563
	286	489	907	282	653
Income (loss) from operations.....	(206)	1,414	1,852	839	529
OTHER INCOME, net.....	—	84	280	102	688
	(206)	1,498	2,132	941	1,217
LOSS FROM OPERATIONS OF SUBSIDIARIES.....	—	—	(257)	—	(296)
Net income (loss).....	(206)	1,498	1,875	941	921
RETAINED EARNINGS, beginning of period.....	—	(206)	1,292	1,292	3,167
RETAINED EARNINGS, end of period.....	\$ (206)	\$ 1,292	\$ 3,167	\$ 2,233	\$ 4,088

The accompanying notes are an integral part of the above statements.

IOS REAL ESTATE HOLDINGS LIMITED

Notes to Financial Statements

(INCLUDING NOTES APPLICABLE TO UNAUDITED PERIODS)

1. Corporate Reorganization

In February 1968, a non-resident English company was established under the name of IOS International Development Company Limited. On June 28, 1969, its name was changed, subject to Board of Trade approval, to I.O.S. Real Estate Holdings Limited (the Company). On the same date, the Company acquired I.O.S., Ltd.'s investment in Investors Development Corporation Limited (Indevco) in exchange for 2,932,400 shares of its U.S. \$1.00 par value capital stock.

The accompanying financial statements are presented on the basis of the Company continuing the business and operations of Indevco.

The capital of Indevco at December 31, 1968 and the Company at June 30, 1969 is as follows:

<u>Date</u>	<u>Shares Authorized</u>	<u>Par Value</u>	<u>Shares Issued and Outstanding</u>
December 31, 1968.....	1,500,000	Bahamian \$2.86	1,000
June 30, 1969.....	20,000,000	U.S. \$1.00	2,932,400

2. Customer's Receivables

The Company retains title on land sales until full payment is received. On sales of apartments and houses, title is registered upon completion of construction and retained by the Company until full payment is received. Receivables on sales of land and residences represent approximately 4% and 88%, respectively, of aggregate customer receivables at December 31, 1968, and 4% and 87%, respectively, at June 30, 1969. In each period, the remainder is represented by receivables on furniture sales.

3. Deferred Commission Income

Prior to October 1968, the primary source of the Company's revenue was represented by sales of real estate of which it was the primary developer. Commencing in October 1968, the Company's revenue was augmented by commissions on sales of real estate which is being developed by an affiliated company. During the six months ended June 30, 1969, these commissions on sales represented the only source of operating revenues. The Company receives a sales commission of a stipulated percentage of the sales price of units sold. The sales commissions and applicable expenses are recognized at the rate of the percentage-of-completion of the related development. Commissions received in excess of recognized income are shown as deferred commission income net of deferred administrative and selling expenses of \$232,000 for the year ended December 31, 1968 and \$124,000 for the six months ended June 30, 1969.

4. Commissions to Investors Overseas Services Limited

Cost of sales includes commissions to Investors Overseas Services Limited (an affiliated company) of \$1,036,000 in 1967, \$1,214,000 in 1968 and \$650,000 and \$1,000 in the six months ended June 30, 1968 and 1969 respectively. In addition, commission income is net of commissions to the same company of \$178,000 in 1968 and \$668,000 in the six months ended June 30, 1969.

Report of Independent Public Accountants

TO IOS INSURANCE HOLDINGS LTD.

We have examined the consolidated balance sheet of IOS Insurance Holdings Ltd. (a Canadian subsidiary of I.O.S., Ltd. and successor to The International Life Insurance Company, S.A.) and Subsidiaries as of December 31, 1968, and the related statements of consolidated income and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included the count or direct confirmation with custodian banks of certificates evidencing investments and related underlying securities, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of IOS Insurance Holdings Ltd. and subsidiaries as of December 31, 1968, and the results of their operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

London, E.C.2,
April 15, 1969.

Consolidated Balance Sheets

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S. = \$1.08125 Can.)

ASSETS

	December 31, 1968	June 30, 1969
		(Unaudited)
	(000 omitted)	
INVESTMENTS RELATING TO EQUITY UNIT ACCOUNT:		
Marketable securities, at market value.....	\$115,067	\$105,182
Cash less liabilities.....	8,419	19,566
	<u>123,486</u>	<u>124,748</u>
Less—		
Advance from general funds of the Company.....	(1,088)	(1,155)
Secured loan at 8% from non-affiliated bank.....	(1,089)	(1,091)
Capital gains tax equalization.....	(1,882)	—
	<u>119,427</u>	<u>122,502</u>
OTHER MARKETABLE SECURITIES, at cost which approximates market value.....	<u>539</u>	<u>7,942</u>
CASH (Note 2):		
Current accounts.....	697	1,414
Deposit accounts.....	10,995	13,801
	<u>11,692</u>	<u>15,215</u>
Total marketable securities and cash.....	<u>131,658</u>	<u>145,659</u>
RECEIVABLES:		
Due from reinsurers.....	290	252
Due from parent and affiliated companies.....	279	530
Other (including \$1,088,000 advance to Equity Unit Account, December 31, 1968—\$1,155,000, June 30, 1969).....	1,329	1,921
	<u>1,898</u>	<u>2,703</u>
OTHER ASSETS:		
Advances to employees and agents.....	145	116
Prepayments and deposits.....	1,700	356
Equipment and leasehold improvements, at cost less depreciation of \$202,000, December 31, 1968—\$229,000, June 30, 1969....	686	2,343
	<u>2,531</u>	<u>2,815</u>
	<u>\$136,087</u>	<u>\$151,177</u>

Approved on behalf of the Board:

....., Director

The accompanying notes are an integral part of these statements.

IOS INSURANCE HOLDINGS LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S. = \$1.08125 Can.)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	December 31, 1968	June 30, 1969 (Unaudited)
	(000 omitted)	
POLICY RESERVES (Note 3):		
Equity Unit Account.....	\$119,427	\$122,503
Other.....	3,884	5,258
	<u>123,311</u>	<u>127,761</u>
CURRENT LIABILITIES:		
Premium deposits on policy applications in process and prepaid premiums.....	4,997	3,765
Agents' commissions.....	750	1,856
Accounts payable and accrued liabilities.....	423	2,803
Policy claims.....	2,194	2,153
Taxation.....	485	707
Due to parent and affiliated companies.....	336	—
Bank overdrafts.....	—	2,075
	<u>9,185</u>	<u>13,359</u>
STOCKHOLDERS' INVESTMENT (Note 1):		
Capital stock—		
Authorized and outstanding—20,000 shares of par value \$50 (U.S.) each at December 31, 1968; at June 30, 1969, authorized 20,000,000 shares of par value \$1.00 each, issued and outstanding 820,000 shares.....	<u>1,081</u>	<u>887</u>
Statutory reserve.....	21	—
Capital surplus.....	—	5,533
Retained earnings.....	<u>2,489</u>	<u>3,637</u>
Total stockholders' investment.....	<u>3,591</u>	<u>10,057</u>
	<u>\$136,087</u>	<u>\$151,177</u>

The accompanying notes are an integral part of these statements.

IOS INSURANCE HOLDINGS LTD. AND SUBSIDIARIES

Statements of Consolidated Income and Retained Earnings

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

	Year Ended December 31,			Six Months Ended June 30,	
	1966	1967	1968	1968	1969
	(000 omitted)			(Unaudited)	
PREMIUM INCOME.....	\$26,051	\$31,289	\$65,971	\$26,712	\$51,302
DEDUCT:					
Reinsurance premiums.....	402	607	841	346	398
Commissions.....	2,956	3,538	6,250	2,570	5,745
Claims, net of reinsurance.....	996	1,129	1,342	755	984
Surrenders and withdrawals.....	1,083	4,922	7,808	3,653	5,963
Added to policy reserves (Note 3).....	17,305	16,427	44,317	16,728	33,985
	<u>22,742</u>	<u>26,623</u>	<u>60,558</u>	<u>24,052</u>	<u>47,075</u>
	3,309	4,666	5,413	2,660	4,227
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	<u>2,896</u>	<u>4,381</u>	<u>4,407</u>	<u>2,005</u>	<u>3,759</u>
	413	285	1,006	655	468
Interest and investment income.....	173	230	627	415	834
Gain arising from devaluation of sterling.....	<u>—</u>	<u>47</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income before taxation.....	586	562	1,633	1,070	1,302
TAXATION (Note 4).....	<u>96</u>	<u>42</u>	<u>244</u>	<u>182</u>	<u>154</u>
Net income.....	<u>490</u>	<u>520</u>	<u>1,389</u>	<u>888</u>	<u>1,148</u>
RETAINED EARNINGS:					
Balance, beginning of period.....	110	594	1,108	1,108	2,489
Transfer to statutory reserve.....	<u>(6)</u>	<u>(6)</u>	<u>(8)</u>	<u>(8)</u>	<u>—</u>
Balance, end of period.....	<u>\$ 594</u>	<u>\$ 1,108</u>	<u>\$ 2,489</u>	<u>\$ 1,988</u>	<u>\$ 3,637</u>

The accompanying notes are an integral part of these statements.

IOS INSURANCE HOLDINGS LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (INCLUDING NOTES APPLICABLE TO UNAUDITED PERIODS)

1. Principles of Consolidation

On April 29, 1969, I.O.S., Ltd. acquired an inactive, non-resident Canadian corporation. At the time of acquisition its name was changed to IOS Insurance Holdings Ltd. (the "Company") and the authorized capital increased to U.S. \$20,000,000 divided into 20,000,000 shares of \$1.00 par value each. Between April 30 and May 21, 1969, all of the issued capital of The International Life Insurance Company, S.A. (I.L.I.) was exchanged for 320,000 shares of capital stock in the Company. During the same period, the shareholders of I.L.I. subscribed to an additional 500,000 shares of the Company, in proportion to their holdings in I.L.I., at a price of U.S. \$10.00 per share. The above transaction represented a purchase of I.L.I. and its subsidiaries' net assets as of January 1, 1969. The minority shareholders had a 22% interest in the Company after the reorganization.

In June 1969, the Company purchased I.L.I.'s investment in two of the latter's subsidiaries for \$1,118,000. Prior to December 31, 1969, the Company will purchase from I.L.I. the latter's investment in its remaining subsidiaries for the net asset value of these subsidiaries at January 1, 1969.

The accounts of all significant subsidiaries are fully consolidated in the accompanying financial statements and all inter-company balances and transactions have been eliminated.

2. Cash

Cash includes \$1,949,000, December 31, 1968—\$4,440,000, June 30, 1969 deposited with affiliated banks.

3. Policy Reserves

The reserve on Equity Unit Account is required to be maintained under the Companies' Dover Equity Plan policies. Other policy reserves have been determined by the Companies' independent actuaries.

The movement during the three years ended December 31, 1968 and the six months ended June 30, 1968 and 1969 was as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	1966	1967	1968	1968	1969
	(000 Omitted)				
Balances, beginning of period.....	\$10,358	\$26,785	\$ 53,740	\$53,740	\$123,311
Allocation, per statements of income.....	17,305	16,427	44,317	16,728	33,985
Dividend and interest (net).....	2	83	540	210	564
Appreciation (decline) in market value of securities.....	(880)	10,467	26,985	22,764	(31,593)
Management and investment advisory charges.....	—	(22)	(389)	(123)	(388)
Capital gains tax equalization.....	—	—	(1,882)	—	1,882
	<u>\$26,785</u>	<u>\$53,740</u>	<u>\$123,311</u>	<u>\$93,320</u>	<u>\$127,761</u>

4. Taxation

Taxation expense comprises:

	Year Ended December 31,			Six Months Ended June 30,	
	1966	1967	1968	1968	1969
	(000 Omitted)				
Provisions for Luxembourg taxes.....	\$42	\$34	\$ 38	\$ 45	\$ 15
Provisions for deferred Luxembourg taxes on earnings retained by Bahama Islands subsidiary.....	54	70	82	4	14
United Kingdom taxation (relief).....	—	(62)	124	132	125
	<u>\$96</u>	<u>\$42</u>	<u>\$244</u>	<u>\$182</u>	<u>\$ 154</u>

5. Foreign Currencies

The accounts of the United Kingdom subsidiary have been translated in terms of U.S. dollars on the following basis: (a) equipment and leasehold improvements, and related depreciation—at the rate ruling at date of acquisition; (b) other assets and liabilities—at the rate ruling at the balance sheet date; and (c) statement of income (except depreciation)—at the rate ruling at the applicable date.

6. Insurance in Force

The Companies had insurance in force at December 31, 1968 and June 30, 1969, of \$930,297,000 and \$1,116,007,000 before reinsurance.

IOS FINANCIAL HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

(Not covered by Report of Independent Public Accountants)

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

	December 31, 1968	June 30, 1969
ASSETS		
	(000 omitted)	
Cash and due from banks.....	\$ 47,973	\$ 69,131
Marketable securities at cost which approximates market.....	5,821	9,148
Due from customers:		
Demand accounts.....	8,358	23,741
Loans.....	33,579	63,291
	41,937	87,032
Less—Allowance for doubtful accounts.....	(348)	(998)
	41,589	86,034
Accounts receivable from:		
Affiliated companies.....	661	—
Other.....	509	2,578
	1,170	2,578
Notes receivable from:		
Sale of Pension Life Insurance Company (Note 5).....	2,163	1,914
Other.....	1,014	1,035
	3,177	2,949
Investment in and receivable from joint venture.....	1,341	758
Excess of cost over underlying book value of consolidated subsidiaries (Note 1)...	198	5,395
Furniture and equipment, at cost.....	550	2,454
Less—Accumulated depreciation.....	(205)	(389)
	345	2,065
Accrued interest receivable and other assets.....	794	3,044
	<u>\$102,408</u>	<u>\$181,102</u>
LIABILITIES		
Deposits:		
Customers' demand accounts.....	\$ 22,986	\$ 51,698
Customers' time accounts.....	12,526	18,419
Affiliates.....	13,238	27,650
Due to banks:		
Demand accounts.....	7,720	11,960
Time accounts.....	2,991	2,638
Loans, collateralized by customers' securities.....	18,949	31,233
Cashier's cheques.....	3,856	11,287
Accounts payable to affiliated companies.....	6,200	1,710
Other liabilities (Note 1).....	3,620	4,623
Total liabilities.....	<u>92,086</u>	<u>161,218</u>
STOCKHOLDERS' INVESTMENT		
Capital stock (Note 2).....	7,815	12,032
Consideration received in excess of par value.....	157	157
Legal and special reserves.....	—	902
Retained earnings (Note 3).....	2,350	6,793
Total stockholders' investment.....	<u>10,322</u>	<u>19,884</u>
	<u>\$102,408</u>	<u>\$181,102</u>

Approved on behalf of the Board:

....., Director

....., Director

The accompanying notes are an integral part of these Balance Sheets.

IOS FINANCIAL HOLDINGS LIMITED AND SUBSIDIARIES

Statements of Combined and Consolidated Income

(Not covered by Report of Independent Public Accountants)

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.=\$1.08125 Can.)

	Year Ended December 31,			Six Months Ended June 30,	
	1966*	1967*	1968†	1968†	1969†
	(000 omitted)				
INCOME:					
Interest (Note 6)	\$2,139	\$3,102	\$4,535	\$2,622	\$ 4,432
Commissions (Notes 6 and 7)	812	2,045	3,114	650	3,109
Income from marketable securities	2	4	285	—	548
Tender and Underwriter fees	—	—	770	—	1,650
Other	90	117	415	154	1,070
	<u>3,043</u>	<u>5,268</u>	<u>9,119</u>	<u>3,426</u>	<u>10,809</u>
EXPENSES:					
Administration	911	1,283	2,812	1,018	2,870
Interest (Note 6)	736	1,671	1,858	800	1,960
Provision for depreciation and amortization	155	120	360	56	262
Commissions	23	67	77	35	101
Service fee	146	170	4	—	—
Other	136	70	—	—	—
	<u>2,107</u>	<u>3,381</u>	<u>5,111</u>	<u>1,909</u>	<u>5,193</u>
Income before minority interest and taxes	936	1,887	4,008	1,517	5,616
MINORITY INTEREST	—	—	—	—	18
Income before taxes	936	1,887	4,008	1,517	5,598
INCOME AND CAPITAL TAXES	5	63	323	44	506
Net income	<u>\$ 931</u>	<u>\$1,824</u>	<u>\$3,685</u>	<u>\$1,473</u>	<u>\$ 5,092</u>

*Combined (Note 1).

†Consolidated.

The accompanying notes are an integral part of these statements.

IOS FINANCIAL HOLDINGS LIMITED AND SUBSIDIARIES

Statements of Combined and Consolidated Retained Earnings

(Not covered by Report of Independent Public Accountants)

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.= \$1.08125 Can.)

	Year Ended December 31,			Six Months Ended June 30,	
	1966*	1967*	1968†	1968†	1969†
	(000 omitted)				
Balance, beginning of period.....	\$ 15	\$ 910	\$2,367	\$2,367	\$2,350
ADD—					
Net income.....	931	1,824	3,685	1,473	5,092
DEDUCT—					
Transfer to legal and special reserves.....	(36)	(367)	—	—	(649)
Elimination of retained earnings as of December 31, 1967 of acquired companies (Note 1).....	—	—	(384)	(384)	—
Dividend paid to I.O.S., Ltd. by Liquidations Limited (Note 1).....	—	—	(3,318)	—	—
Balance, end of period.....	<u>\$910</u>	<u>\$2,367</u>	<u>\$2,350</u>	<u>\$4,082</u>	<u>\$6,793</u>

Statements of Combined and Consolidated Legal and Special Reserves

(Not covered by Report of Independent Public Accountants)

(These financial statements are published in terms of U.S. dollars. For the purposes of this prospectus, as a matter of arithmetical computation only, these statements have been translated into Canadian dollars on the basis of \$1.00 U.S.= \$1.08125 Can.)

	Year Ended December 31,			Six Months Ended June 30,	
	1966*	1967*	1968†	1968†	1969†
	(000 omitted)				
Balance, beginning of period.....	\$20	\$ 56	\$423	\$423	\$ —
ADD—					
Appropriations out of net income.....	36	367	—	—	649
Reserves acquired during the year.....	—	—	—	—	253
DEDUCT—					
Elimination of reserves as of December 31, 1967 of acquired companies (Note 1) ..	—	—	(423)	(423)	—
Balance, end of period.....	<u>\$56</u>	<u>\$423</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$902</u>

*Combined (Note 1).

†Consolidated.

The accompanying notes are an integral part of these statements.

IOS FINANCIAL HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Combined and Consolidated Financial Statements

(INCLUDING NOTES APPLICABLE TO UNAUDITED PERIODS)

1. Principles of Consolidation

IOS Financial Holdings Limited (the "Company") was incorporated on March 29, 1968 and purchased its investments from I.O.S., Ltd. for a price equal to the net assets of the acquired companies as of December 31, 1967. In accordance with the purchase agreement, the Company was entitled to all 1968 income generated by the subsidiaries. In order to provide a meaningful comparison of the operations of these companies, the accompanying statements of income and retained earnings for 1966 and 1967 reflect the combined accounts of these subsidiaries for such years.

As of June 30, 1969, the Company acquired for stock substantially all of the operating assets (subject to certain liabilities) and business of Liquidations Limited from I.O.S., Ltd.; this transaction has been accounted for as a pooling of interests in the accompanying financial statements and, accordingly, the balance sheet as of December 31, 1968 and the statements of income for the three years then ended have been restated to include the applicable accounts and operations of Liquidations Limited.

During 1969, the Company acquired a majority interest (96%) in Banco Provinciale di Depositi e Sconti S.p.A. Of the total purchase price paid, \$5,395,000 has been assigned by the Company to "excess of cost over underlying book value of consolidated subsidiaries" in the accompanying financial statements at June 30, 1969. It is the intention of the Company to allocate a portion of the above amount to the property and equipment acquired on the basis of replacement market values as determined by independent appraisers, which will in the opinion of management, reduce this amount carried as "excess of cost over underlying book value of consolidated subsidiaries".

All Subsidiaries are wholly-owned with the exception of Orbis Bank GmbH and Banco Provinciale di Depositi e Sconti S.p.A. in which there are minority interests of 10% and 4% respectively. The amount of minority interest in these companies of \$81,000 as of December 31, 1968 and \$188,000 as of June 30, 1969 is included in "Other liabilities" in the accompanying balance sheets. Accounts of subsidiaries maintained in currencies other than U.S. dollars have been translated into U.S. dollars at standard rates of exchange which closely approximate the prevailing exchange rates at period end.

All significant intercompany balances and transactions have been eliminated.

2. Capital Stock

The authorized capital stock of the Company is 50,000 shares of Swiss Francs 1,000 par value each at December 31, 1968. On April 23, 1969, the authorized capital of the Company was increased to 75,000 shares of Swiss Francs 1,000 par value each. At December 31, 1968 and June 30, 1969, 31,084 and 50,000 shares were outstanding.

3. Undistributed Earnings of Subsidiaries

In the event of dividend distributions by certain subsidiaries to the parent company, such distributions would be subject to non-refundable withholding taxes deducted at source (ranging from 17 to 30 percent), which were not provided for in the accounts.

4. Commitments and Contingencies—Overseas Development Bank

In the normal course of business there are outstanding various commitments and contingent liabilities (mainly bank guarantees) totalling approximately \$1,146,000 as of June 30, 1969. No losses are anticipated as a result of these transactions.

At December 31, 1968, the Company had \$541,000 on deposit, interest free, at an unaffiliated bank. This deposit, which, prior to June 30, 1969, has been withdrawn, was made on a restricted basis to assist a limited partnership consisting of the IOS Foundation of Delaware, Inc., as General Partner and approximately 20 stockholders of I.O.S., Ltd. as limited partners, in arranging for the acquisition of depreciable equipment.

5. Note Receivable from Sale of Pension Life Insurance Company

As of December 31, 1968, Liquidations Limited sold its entire interest in Pension Life Insurance Company receiving as consideration a note due March 31, 1970, without interest, in the face amount of \$2,163,000, which amount, after estimated expenses of sale, approximated the investment cost. In accordance with the terms of the sales agreement, the note is held in escrow and is subject to a reduction in face amount, prior to or on the due date, if the net worth of Pension Life is subsequently determined to be less than the amount stipulated in the sales agreement.

In the opinion of Company management, this transaction will be concluded without loss to the Company.

6. Income from Interest and Commissions and Interest Expense

Amounts arising from transactions with affiliated companies included in interest income, commission income and interest expense are as follows:

	Year ended December 31,			Six months ended June 30,	
	1966	1967	1968	1968	1969
	(000 omitted)				
Income:					
Interest.....	\$ *	\$ *	\$ 77	\$ *	\$ 20
Commissions..	*	*	724	*	323
			<u>\$801</u>		<u>\$343</u>
Interest expense.....	*	*	<u>\$125</u>	*	<u>\$ 56</u>

*It is impracticable to segregate these amounts for the two years ended December 31, 1967 and the six months ended June 30, 1968.

7. Income from Commissions—Securities Loan Activities

Reference is made to Note 11 to the financial statements of I.O.S., Ltd. and subsidiaries included elsewhere in this Prospectus, regarding income from securities loan activities.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick), by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder.

DATED: August 27, 1969.

President and Chief Executive Officer

Treasurer and Chief Financial Officer

Director, on behalf of the Board

Director, on behalf of the Board

Directors

By his signature affixed below the undersigned has, pursuant to the powers of attorney duly executed, signed this prospectus on behalf of all directors of I.O.S., Ltd.

.....

Certificate of Canadian Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick), by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder.

DATED: August 27, 1969.

J. H. CRANG & CO.

By:

The following includes the names of the partners of J. H. Crang & Co.: James Harold Crang, Eric Duff Scott, Dennis A. FitzGerald, Murray Joseph Howe, David M. Dunlap, Paul Robert, Fred Vernon McCann, Owen Anthony Haig Sims, James William Bradshaw, Peter C. D. Best and G. C. Donley (limited partner).

Sales and Sales Administration

Investors Overseas Services Limited, Bahamas
 International Overseas Services Pty. Limited, Australia
 Investors Overseas Services in Wien GmbH, Austria
 Investors Overseas Services (Sterling) Limited, Bahamas
 I.O.S. of Canada Ltd., Canada
 Investors Overseas Services (Cyprus) Limited, Cyprus
 Investors Overseas Services (U.K.) Limited, England
 Investors Overseas Services in Deutschland GmbH, Germany
 Altersinvest Beratungsgesellschaft für Anlageplanung und Altersversorgung mbH, Germany
 Investors Overseas Services (H.K.) Limited, Hong Kong
 Fiduciaria Europeo-Americana, S.p.A. (Fideuram), Italy
 Investors Overseas Services IOS (Luxembourg) S.A., Luxembourg
 Nederlands Adviesbureau Voor Buitenlandse Belleggingen
 (Investors Overseas Services Holland) N.V., Netherlands
 Investors Overseas Services (Curacao) N.V., Netherlands Antilles
 Agencia de Investors Overseas Services de Panama S.A., Panama
 Société d'Information I.O.S. (S.A.), Switzerland

Management Companies

Investors Overseas Services Management Limited, Canada
 Canadian Fund Management Company Limited, England
 FOF Management Company Limited, England
 Fonditalia Management Company S.A., Luxembourg
 I.I.T. Management Company S.A., Luxembourg
 Investors Fonds Kapitalanlagegesellschaft mbH, Germany
 IPI Management Company Limited, England
 IOS Growth Fund Management Limited, England
 IOS Regent Fund Management Limited, England
 I.O.S. Sterling Management Company Limited, Bahamas
 Venture Management Company Limited, Bahamas
 IOS Development Company Limited, England
 I.V.M. Invest Management Company Limited, Bahamas
 Worldwide Fund Management Limited, England
 I.O.S. of Australia Management Limited, Bahamas
 I.O.S. Management Company Limited, Bahamas
 IOS Pension Management Limited, England
 I.O.S. Sterling Pension Management Company Limited, Bahamas
 I.O.S. Portfolio Management Company Limited, Bahamas
 I.O.S. Sterling Portfolio Management Company Limited, Bahamas

Insurance

IOS Insurance Holdings Ltd., Canada
 The International Life Insurance Company, S.A., Luxembourg
 The International Life Insurance Company (U.K.) Limited, England
 International Life Insurance Company (Bermuda) Ltd., Bermuda
 The International Life Insurance Company (Kenya) Limited, Kenya
 The International Life Insurance Company (Malta) Limited, Malta
 The International Reinsurance Company Limited, Bahamas
 "I.V.M." (De Internationale Verzekering Maatschappij) N.V., Netherlands
 I.O.S. Versicherungs-Vermittlung Gesellschaft mbH, Germany
 Neptunia Compañia Argentina de Seguros, S.A., Argentina
 IOS Insurance Services (Overseas) Limited, Bahamas
 IOS Insurance Services Limited, England

Banking and Financial Companies

IOS Financial Holdings Limited, England
 Overseas Development Bank S.A., Switzerland
 Orbis Bank GmbH, Germany
 Investors Bank Luxembourg, S.A., Luxembourg
 Investors Overseas Bank Limited, Bahamas
 IOS Acceptance Company Limited, Bahamas
 Financial Institution Management N.V., Netherlands Antilles
 IOS Enterprises Limited, England
 Overseas Development Bank (Bahamas) Limited, Bahamas
 Overseas Development Bank (Sterling) Limited, Bahamas
 Banca Provinciale di Depositi e Sconti, S.p.A., Italy

Real Estate

IOS Real Estate Holdings Limited, England
 Investors Development Corporation Limited (Indevco), Bahamas
 Property Management S.A., Spain
 Property Management Limited, Bahamas
 IOS Property Management U.K. Limited, England
 Indevco (U.K.) Limited, England
 Indevco Engineering and Management Corporation N.V., Netherlands Antilles
 Investors Development Corporation (Sterling) Limited, Bahamas
 IOS Engineering and Construction Company Limited, Bahamas
 The IOS Engineering & Construction Company (Sterling) Limited, Bahamas

Publication and Communication

I.I.T. Management Company Limited, Bahamas
 Frontiers Publishing Company Limited, Bahamas
 IOS Communication Corporation Limited, Bahamas
 I.O.S. Communications Ltd., Delaware

Administrative and Other Companies

I.O.S. Administrative S.A., Switzerland
 Services Administratifs IOS France S.A., France
 Guaranteed Capital Holdings Limited, Bahamas
 Guaranteed Capital (Sterling) Limited, Bahamas
 Guaranteed Capital Limited, England
 IOS Computer Systems S.A., Switzerland
 International Scientific Systems Limited, Bahamas

I.O.S., LTD.

119, rue de Lausanne,
Geneva, Switzerland

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of I.O.S., Ltd. (the "Company") will be held in the Ontario Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Tuesday, the 30th day of June, 1970 at the hour of 11:00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive the financial statement of the Company for the year ended December 31, 1969 and the reports of the directors and auditors thereon;
2. To elect directors;
3. To appoint auditors; and
4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

By Order of the Board of Directors

EDWARD J. COUGHLIN, JR.
Secretary

NOTES:

1. Registered shareholders who are unable to be present in person at the meeting are requested to complete, sign and return the accompanying form of proxy to the Company in the envelope provided for that purpose.
2. A holder of a bearer share warrant representing common shares of the Company is entitled in respect thereof to attend and vote (in person or by proxy) in the capacity of a shareholder at the said meeting if, not later than June 26, 1970, such holder
 - (i) deposits such bearer share warrant with one of the depositaries named below,
 - (ii) receives from such depositary a signed Deposit Certificate with respect to such deposit; and
 - (iii) lodges such Deposit Certificate (together with a proper instrument appointing a proxy if such holder wishes to attend and vote by proxy) with Montreal Trust Company, 15 King Street West, Toronto, Ontario, Canada.

Depositaries

Banca Provinciale di Depositi e Sconti S.P.A., via verdi 3, Milano, Italy.
Investors Bank Luxembourg, 19 rue Glesener, Luxembourg.
Montreal Trust Company, 15 King Street West, Toronto, Ontario, Canada.
Orbis Bank GMBH, Marstallstrasse 8, 8000 Munich 22, Germany.
Overseas Development Bank, 40 rue du Rhone, Geneva, Switzerland.
Pierson, Heldring and Pierson, Herengracht 206-214, Amsterdam, Holland.
The Royal Bank of Canada Trust Corporation Limited, Brewers' Hall, Aldermanbury Square, London E.C.2, England.

The Chairman's Letter

Dear Shareholder,

As the recently elected Chairman of the Board of Directors of I.O.S., Ltd., I transmit the Company's financial statements for the year 1969.

The sale and management of mutual funds continued, in 1969, to be the main basis of your Company's operations. During a year of generally declining securities prices, assets under management in company-sponsored mutual funds increased from \$1.5 billion as of December 31, 1968 to \$2.1 billion on December 31, 1969 (of this total \$445 million was held in cash at unaffiliated depository banks). The level of sales of IOS-sponsored mutual funds, as reflected in gross commissions before provision for commissions payable to sales associates, approximately doubled.

Unfortunately, this increase in the level of IOS's basic operations was not reflected in a corresponding increase in the level of corporate profits. Consolidated Net Income for 1969 amounted to \$14,282,000 before the decision of present management that the establishment of a special reserve for possible future losses from transactions outside the normal course of your Company's business would be prudent and in the best interest of shareholders. A Consolidated Net Income of \$10,282,000 resulted. Net Income from Unconsolidated Subsidiaries, which would otherwise have shown a satisfying increase of approximately 25 per cent over 1968, was reduced to a level approximately 35 per cent below that of 1968 by this provision for possible future losses. Profit-sharing management fees for security portfolios which provided the bulk of net income from Proprietary Fund Operations in 1968 made a negligible contribution in 1969 because of generally declining market values. In 1969 this was more than compensated for by performance-based management fees received with respect to non-market linked investments. Other gross operating revenues (after provision for associate commissions and minority interest) of IOS and its consolidated subsidiaries dramatically increased from \$29,989,000 in 1968 to \$50,060,000

in 1969. However, a concurrent rise in Operating Expenses from \$29,378,000 in 1968 to \$54,394,000 helped reduce 1969 Consolidated Net Income to a figure below the expectations of previous management.

Some of these expenditures were for a program of essential development and will provide the basis for your Company's future profitability. In 1969 IOS incurred the organization costs necessary to commence the operations of six new mutual funds, three insurance companies, a bank and a closed-end real estate investment company. The continuing significance of such innovational effort to IOS's operations was demonstrated in 1969 by the success of Fonditalia and Investors Fonds. Although organized only in 1968, these Funds accounted for 13.3 per cent of the total mutual fund assets under management on December 31, 1969.

Perhaps the single most significant event of your Company's year was the public offering of I.O.S., Ltd. Common Shares. This issue was the largest such offering ever conducted outside the United States.

It is the determination of present management to reduce Operating Expenses below previously budgeted levels in 1970. To this end, financial controls commensurate with your Company's growth pattern and its attendant complexities are being introduced.

Present management is further committed to the elimination of certain of the extraordinary items found in the footnotes to the financial statements.

I have assumed the responsibility of Chairman, convinced that your Company's operations serve an essential need of the public in the countries in which it operates. In the past decade, many of the innovations introduced by your Company have become standards in the financial industry. I believe that this creative element will contribute significantly to the Company's clients and shareholders in the decade just begun.



Sir Eric Wyndham White, *Chairman of the Board*

**Audited Financial Statements
for the Years Ended
December 31, 1969 and 1968**

I.O.S., Ltd. and Subsidiaries
IOS Financial Holdings Limited and Subsidiaries
IOS Real Estate Holdings Limited and Subsidiaries
IOS Insurance Holdings Ltd. and Subsidiaries

I.O.S., Ltd. and Subsidiaries

Consolidated Balance Sheets—December 31, 1969 and 1968

Assets	1969	1968
	(000 omitted)	
Current Assets		
Cash and time deposits, including \$13,526,000 deposited		
with subsidiary banks in 1969	\$ 35,950	\$ 15,596
Restricted cash, pledged or in blocked accounts held as collateral for loans		
and guarantees (Note 8)	1,161	1,670
Investments in affiliated mutual funds, at cost (quoted market value \$2,707,000		
as of December 31, 1969), pledged as collateral for guarantees \$1,090,000 in 1969	2,515	1,670
Receivables—		
Commissions and amounts due from affiliated mutual funds		
for management and advisory fees (Note 6)	11,014	2,613
Client accounts	830	1,153
Receivable from sale of Investors Planning Corporation (Note 4)	3,025	7,990
Proceeds of public sale of minority interest in		
Investors Overseas Services Management Limited	—	3,200
Advances to sales representatives (associates), less allowances		
for doubtful accounts of \$1,865,000 in 1969 and \$995,000 in 1968 (Note 8)	3,277	2,105
Officers, directors and employees (Note 8)	1,431	790
Interest and other	1,373	941
Total current assets	<u>60,576</u>	<u>37,728</u>
Investments in and Receivables from Unconsolidated Subsidiaries,		
at cost plus equity in undistributed earnings (Notes 1, 7 and 8)	<u>45,160</u>	<u>20,658</u>
Property and Equipment, at cost, less accumulated depreciation		
of \$2,148,000 in 1969 and \$1,314,000 in 1968	<u>12,098</u>	<u>4,635</u>
Other Assets		
Branch working funds	1,605	1,193
Prepayments, deposits and other	5,609	1,206
	<u>7,214</u>	<u>2,399</u>
	<u>\$ 125,048</u>	<u>\$ 65,420</u>

Approved on behalf of the Board of Directors:

The accompanying notes are an integral part of these balance sheets. All amounts are stated in U.S. dollars.

Liabilities and Stockholders' Investment	1969	1968
	(000 omitted)	
Current Liabilities		
Payables—		
Sales representatives' commissions	\$ 7,903	\$ 7,061
Suppliers and others	6,449	1,173
Preferred share repurchases by an affiliated company (Notes 2 and 3)	3,018	1,818
Advisory fees	165	2,754
Accrued expenses	8,155	6,818
Total current liabilities	<u>25,690</u>	<u>19,624</u>
IOS Investment Program Client Accounts		
Funds in process of investment	4,012	7,378
Funds held in escrow under letters of intent, etc.	5,836	3,545
Amounts payable for liquidations	4,526	1,330
Prepaid life insurance premiums	1,009	1,099
	<u>15,383</u>	<u>13,352</u>
Less—Cash and receivables applicable to investment program	<u>15,383</u>	<u>13,352</u>
	<u>—</u>	<u>—</u>
Payable to Unconsolidated Subsidiaries	<u>274</u>	<u>550</u>
Minority Interest in Consolidated Subsidiaries	<u>496</u>	<u>227</u>
Commitments and Contingencies (Note 9)		
Stockholders' Investment (Notes 2 and 3)		
Capital stock—		
Preferred shares, authorized 75,000,000 shares at December 31, 1969, \$0.25 par value; issued 44,582,484, of which 3,503,724 shares are held in escrow until fully paid ...	11,146	5,950
Common shares, authorized 150,000,000 shares at December 31, 1969, \$0.25 par value; issued 10,996,100 shares	2,749	—
Consideration received in excess of par value	62,753	8,609
Less—Amounts due on subscriptions for preferred shares	(8,928)	(3,785)
	<u>67,720</u>	<u>10,774</u>
Retained earnings	43,613	35,280
	<u>111,333</u>	<u>46,054</u>
Less—Capital stock held by an affiliated company, 183,373 preferred and 1,109,411 common shares, at cost in 1969	(12,745)	(1,035)
Total stockholders' investment	<u>98,588</u>	<u>45,019</u>
	<u>\$ 125,048</u>	<u>\$ 65,420</u>

Allen R. Cantor, Director
C. Henry Buhl III, Director

I.O.S., Ltd. and Subsidiaries

Statements of Consolidated Income for the Years Ended December 31, 1969 and 1968

	1969	1968
	(000 omitted)	
Income		
Commission income on sponsored mutual fund sales	\$113,889	\$ 61,501
Less—Sales representatives' commissions	78,427	38,653
	35,462	22,848
Fund management fees	13,204	7,128
Interest and other income	4,055	846
	52,721	30,822
Operating Expenses , including income taxes (Note 5)	54,394	29,378
	(1,673)	1,444
Less—Income applicable to minority interest	2,661	833
	(4,334)	611
Equity in Earnings of Unconsolidated Subsidiaries		
IOS Financial Holdings Limited	3,948	3,408
Less—Provision for possible losses (Notes 7 and 8)	(4,000)	—
	(52)	3,408
IOS Real Estate Holdings Limited	2,722	1,734
IOS Insurance Holdings Ltd.	1,396	1,002
Investors Planning Corporation (Note 4)	—	282
	4,066	6,426
Income from Proprietary Funds (Note 6)		
Advisory fees, in 1969 principally from Natural Resources Fund Account of F.O.F. Proprietary Funds Ltd., after deducting sub-advisory fees and other expenses of \$1,246,000 in 1969 and \$3,554,000 in 1968	9,830	4,877
Commissions and other income	720	2,455
	10,550	7,332
Net income	\$ 10,282	\$ 14,369
Earnings Per Share , including as common share equivalents		
the preferred shares and shares under option and held in escrow	\$.21	\$.31

The accompanying notes are an integral part of these statements. All amounts are stated in U.S. dollars.

Statements of Consolidated Retained Earnings for the Years Ended December 31, 1969 and 1968

	1969	1968
	(000 omitted)	
Retained earnings , beginning of year	\$ 35,280	\$ 10,756
Add or (Deduct) —		
Net income	10,282	14,369
Net gain resulting from public sale of shares of		
Investors Overseas Services Management Limited	—	10,659
Net gain on sale of investment in Investors Planning Corporation (Note 4)	1,589	4,560
Provision for contingent liability on sale of investment in		
Investors Planning Corporation (Note 4)	(1,500)	—
Special distribution of convertible debentures of		
Investors Overseas Services Management Limited	—	(277)
Excess of purchase price of retired capital stock over the		
aggregate amounts received upon issuance (Note 3)	(2,038)	(4,787)
Retained earnings , end of year	<u>\$ 43,613</u>	<u>\$ 35,280</u>

The accompanying notes are an integral part of these statements. All amounts are stated in U.S. dollars.

I.O.S., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements, December 31, 1969 and 1968

1. Corporate Reorganization, Consolidation Principles and Investments

On June 20, 1969, I.O.S. Holdings Ltd., an inactive, non-resident Canadian corporation, acquired substantially all the assets and assumed all the obligations and liabilities of I.O.S., Ltd. (S.A.) in exchange for 6,118,699 shares of its \$1.00 par value capital stock. On June 27, 1969, the name of I.O.S. Holdings Ltd. was changed to I.O.S., Ltd. ("IOS").

The accompanying financial statements are presented on the basis of IOS continuing the business and operations of I.O.S., Ltd. (S.A.). All significant subsidiaries are consolidated except IOS Financial Holdings Limited ("Financial"), IOS Real Estate Holdings Limited ("Real Estate"), IOS Insurance Holdings Ltd. ("Insurance")

and their subsidiaries which are included in the consolidated statements on the basis of IOS equity in earnings and underlying net assets. Accounts maintained in currencies other than U.S. dollars have been translated at current or historical rates of exchange, as appropriate. The financial statements of Financial, Real Estate and Insurance, and the auditors' reports of Arthur Andersen & Co. thereon, are presented separately in subsequent pages of this report.

Investments in (including equity in undistributed earnings) and receivables from unconsolidated subsidiaries were as follows (000 omitted):

	1969	1968
IOS Financial Holdings Limited and Subsidiaries	\$ 27,194	\$ 14,137
IOS Real Estate Holdings Limited and Subsidiaries	7,221	3,271
IOS Insurance Holdings Ltd. and Subsidiaries	10,021	3,002
Other	724	248
	<u>\$ 45,160</u>	<u>\$ 20,658</u>

A loan of \$8,344,000 by a subsidiary of Financial was made to The IOS Foundation of Delaware Trust, a trust organized under the laws of the Bahamas, which acquired 834,411 shares of IOS common stock, with the stock pledged as collateral. Subsequently an agreement was made whereby advances of \$8,344,000 made

by IOS to the subsidiary would be discharged and the shares would be accepted by The IOS Stock Option Plan Limited (an affiliated company) in full and complete payment of the loan. This agreement was made effective and has been reflected in the consolidated balance sheet as of December 31, 1969.

2. Preferred Shares and Stock Subscription Plan

The preferred shares are convertible on a share for share basis as described below and have substantially the same rights as common shares except that if IOS has paid a cash or stock dividend of at least one cent per share in either of the two immediately preceding calendar years, the holders of the preferred shares are exclusively entitled to elect two-thirds of the directors of IOS and the holders of the common shares are exclusively entitled to elect the remaining directors. In June 1969, prior to the corporate reorganization described in Note 1, such a dividend was declared and paid.

Under "The IOS Stock Option Plan," executives, sales representatives and employees are offered preferred shares of IOS at prices as determined quarterly by a valuation formula. Shares issued under this Plan may not be transferred unless first offered to an affiliate of IOS for repurchase at the latest formula valuation price. Most of the preferred shares have been issued under this Plan.

As of December 31, 1969, the number of shares offered and not yet subscribed under this Plan and the agreements described below aggregated 1,383,492 shares at a weighted average offering price of approximately \$1.10 per share.

Under the terms of the Plan, holders of preferred shares, after completing ten years of active service, are

entitled to convert 10 % annually of such holdings into common shares. During 1970, approximately 2,954,000 preferred shares will become convertible into common shares.

The preferred shares originally owned by Mr. Bernard Cornfeld, which are still owned by him or have been transferred by him to others, are not subject to the terms and conditions of the Plan. As of December 31, 1969, there were 9,171,424 preferred shares free of restrictions under the Plan, the majority of which are owned by Mr. Cornfeld.

In addition, IOS has entered into two separate agreements, as follows:

(1) An agreement with an officer which provides for the future issuance of 852,480 preferred shares as the acquisition price of all of those shares of stock of an affiliated company which are not now owned by IOS. In 1970 the officer exercised his right under the agreement to cause all of such preferred shares to be issued. Under the agreement the officer and persons affiliated with him have the right to cause IOS to arrange to repurchase up to 25% of such shares at the then current formula value price. One such affiliated person has notified IOS, on May 29, 1970, of an intention to cause repurchase to be effected of an aggregate of 30,240 shares at the March 31, 1970 formula value price. The terms

of the agreement provide that preferred shares so acquired by the officer need not first be offered to IOS unless the officer causes IOS to arrange to repurchase up to 25% of said preferred shares, in which event the remaining preferred shares then become subject to The IOS Stock Option Plan.

(2) An agreement with an employee granting him the right to acquire 50,000 preferred shares over a three year period, commencing January 1, 1970, at \$3.12 per share. The shares issued under this agreement are immediately convertible into common shares.

3. Capital Changes

A summary of changes in capital for the two years ended December 31, 1969 is as follows:

	Number of Shares		Amount (000 omitted)		
	Preferred	Common	Preferred	Common	Consideration in Excess of Par Value
Balance, December 31, 1967	6,012,551	—	\$ 6,013	\$ —	\$ 4,369
New issues during 1968	457,101	—	457	—	5,080
Retirement of repurchased capital stock	(519,360)	—	(520)	—	(840)
Balance, December 31, 1968	5,950,292	—	5,950	—	8,609
Two-for-one stock split	6,118,699	—	6,119	—	(6,119)
Reclassification of shares and					
four-for-one stock split	31,407,617	5,392,000	(1,348)	1,348	—
New issues during 1969 (including 5,600,000					
common shares issued on public offering)	1,208,948	5,604,100	528	1,401	59,379
Retirement of stock repurchased during 1969	(103,072)	—	(103)	—	(325)
Excess of issuance price over average					
cost of shares issued by an affiliated company ...	—	—	—	—	823
Proceeds from conversion of debentures					
of consolidated subsidiary	—	—	—	—	386
Balance, December 31, 1969	<u>44,582,484</u>	<u>10,996,100</u>	<u>\$11,146</u>	<u>\$ 2,749</u>	<u>\$ 62,753</u>

In 1969, prior to the date of the corporate reorganization, the treasury stock of I.O.S., Ltd. (S.A.) was sold to an affiliated company. Subsequent to the date of the reorganization, repurchases of capital stock of IOS are

effected through an affiliated company with the number of shares and the cost of such repurchased shares included as "Capital stock held by an affiliated company" in the accompanying balance sheet at December 31, 1969.

4. Divestiture of Investors Planning Corporation

Under the settlement effective June 5, 1967, between IOS and the United States Securities and Exchange Commission (the "S.E.C."), IOS, among other things, agreed to either sell its entire interest in Investors Planning Corporation to an unaffiliated person or to make arrangements, suitable to the S.E.C., to transfer operations and management control to an unaffiliated person.

Arrangements were concluded during 1968 whereby the assets (subject to certain liabilities) as of December 31, 1968, which constituted the domestic operations of Investors Planning Corporation, were sold for an aggregate payment of an amount equal to the book value

of the assets (in excess of certain liabilities) plus \$6,800,000. After consideration of minority interests, the sales proceeds amounted to \$7,990,000 including a note receivable due March 31, 1970, without interest, in the face amount of \$2,025,000. In accordance with the terms of the sales agreement the note is held in escrow and is subject to reduction prior to or on the due date, by the amount of IOS's share of (a) any loss that might be incurred in the realization of the transferred current assets, or (b) any loss due to breach of the representations or warranties contained in the sales agreement. The purchaser has made claims under the agreement and

I.O.S., Ltd. and Subsidiaries

counterclaims have been asserted by IOS. In the opinion of counsel, one of the claims made by the purchaser is without merit and the others are under review.

On April 1, 1969, an agreement was reached whereby the assets which constituted the international operations of Investors Planning Corporation were sold for \$2,175,000. After consideration of minority interests, the sales proceeds amounted to \$1,758,000 including a non-interest bearing note receivable in the face amount of \$1,000,000 due June 11, 1970, subordinated to all claims of all present and future creditors of the purchaser. In accordance with the terms of the sales agreement,

the principal amount of the note is subject to reduction under certain specified conditions as set forth in the agreement.

It is not possible to determine whether the above transactions will be concluded on favorable terms without any loss, but management believes that the maximum reduction in purchase price would not exceed \$1,500,000 and a reserve in this amount has been provided and is included in accrued liabilities in the consolidated balance sheet as of December 31, 1969. Both the reserve provided and the gains on sales have been accounted for as direct items in retained earnings.

5. Income Taxes

IOS, as a non-resident Canadian company, pays no income taxes in Canada but is subject to Swiss income taxes since it maintains its chief executive and administrative office in Geneva. Pursuant to a tax convention for an indefinite term concluded with revenue authorities of the Federal Government of Switzerland and the Cantonal Government of Geneva, IOS has assumed all liability for the Federal and Cantonal taxes related to income and capital which might otherwise be payable by those of its subsidiaries (other than certain Swiss companies) which also maintain their chief executive and administrative offices in Geneva.

Various IOS subsidiaries have made provision for taxes to the jurisdictions in which they are incorporated

or in which they operate to the extent they are subject to taxation in such jurisdictions, based upon opinions of counsel.

Certain subsidiaries would be subject to withholding taxes on dividend distributions in the event such distributions were made; however, no provision for taxes on undistributed earnings of subsidiaries has been made since, in the opinion of management, no taxable distributions are likely to be made.

During 1969 and 1968, IOS and all of its consolidated and unconsolidated subsidiaries provided approximately \$1,950,000 and \$1,470,000, respectively, for income and similar taxes.

6. Income from Proprietary Funds

F.O.F. Proprietary Funds Ltd. ("FOF Prop") is a wholly-owned investment company subsidiary of The Fund of Funds, Limited ("FOF"), a mutual fund controlled by IOS. As of December 31, 1969, FOF Prop consisted of several proprietary fund accounts. IOS receives a commission of 1% of each investment by FOF in FOF Prop. Subsidiaries of IOS act as portfolio advisor to each fund account and in accordance with separate investment advisory agreements with FOF Prop are entitled to receive advisory fees. Such fees are determined on a calendar quarter basis equal to (i) 10% of the net realized and unrealized investment gains on the investments maintained in the fund account plus (ii) 10% of the interest and dividends on cash or investments maintained in the fund account, exclusive of earnings on securities loaned, less (iii) 10% of the expenses attributable to the operations of the fund account. With respect to the Natural Resources Fund Account the compensation, as described in (i) above, is based on net realized and unrealized investment gains before applicable tax provisions. In the event that there is a net realized and unrealized investment loss, such loss is carried forward to the next seven calendar quarters and used to reduce gains in such quarters, but only with respect to the specific fund account affected. When a specific fund account is terminated, any loss carryforwards are not offset against other accounts that may be established. In addition, an unconsolidated

subsidiary receives income under an agreement with FOF Prop covering stock loan transactions, as described in Note 2 to the separate financial statements of IOS Financial Holdings Limited included elsewhere.

Gross advisory fees under the contracts referred to in the preceding paragraph amounted to \$11,076,000 in 1969, of which \$9,737,000 related to contracts with the Natural Resources Fund Account of FOF Prop and IOS Growth Fund Limited and to unrealized appreciation in such funds arising principally from an investment in corporations, wholly-owned by the Funds, holding an interest in certain Canadian Arctic oil and gas exploration permits. Based upon the terms of the sale outlined below, as approved by the Boards of Directors of FOF, FOF Prop and IOS Growth Fund Limited, which included outside directors as well as certain officers and directors of IOS and its affiliates, this investment was valued by the Funds at \$119,000,000 in December 1969. This was an increase in valuation of \$102,000,000, as to which the advisory fees were receivable by IOS and were subsequently paid by the Funds.

The sale referred to above was concluded in January 1970 and was made to the operator of the permit interests, King Resources Company (see Note 11), covering a 10% interest in the Funds' investment on the same basis and terms as a December 1969 sale by such operator of a 9.375% interest to outside third parties.

Sales proceeds to the Funds consisted of \$779,000 cash down-payment and \$7,570,000 payable in six semi-annual installments beginning in 1973 and bearing interest at 6% per annum. The sales agreement also relieves the seller of 80% of the first \$10,437,000 of its commitment for exploration costs. The purchasers have thereby assumed an obligation for exploration costs which is \$7,306,000 in excess of such costs applicable to their interests in the permits. The valuation approved by the Boards of Directors represents a gross valuation of \$156,000,000 less (a) discounting to provide an effective 8 $\frac{1}{2}$ % interest rate on permit payments and 10% interest rate on excess work obligation payments

(\$20,000,000) and (b) a 12 $\frac{1}{2}$ % net operating profits interest (\$17,000,000).

In their auditors' report on the financial statements of FOF for the year ended December 31, 1969, Messrs. Arthur Andersen & Co. state that their opinion on such statements is subject to the effect of certain investment valuations made by the Board of Directors in the absence of quoted market values and that "These valuations have been reviewed by us to ascertain that they have been determined on the bases described, but since we are not competent to appraise these investments we do not express an opinion as to such valuations."

7. Loans to Commonwealth Overseas N.V.

At December 31, 1969, one of the unconsolidated subsidiaries of IOS had outstanding loans of \$8,403,000 from Commonwealth Overseas N.V. which were guaranteed by its parent, Commonwealth United Corporation ("Commonwealth"). In 1970, the IOS subsidiary guaranteed, as to principal and interest, a note of Commonwealth to a third party in the amount of \$3,000,000. The loans are collateralized by security interests, subject to certain prior interests granted by Commonwealth, in certain assets of Commonwealth. Should Commonwealth be unable to repay its indebtedness, the collection

of these loans will depend upon the realization of the security positions in the assets of Commonwealth. In the opinion of management, it is not possible at this time to determine the ultimate realization on this loan.

In view of contingencies with respect to this loan and the matters set forth in Note 8, the IOS subsidiary established a \$4,000,000 reserve which is reflected in these consolidated statements as a reduction in the equity in earnings and net assets of IOS Financial Holdings Limited.

8. Certain Loans and Guarantees

IOS and its consolidated subsidiaries have made advances to sales representatives of \$5,142,000, reduced by allowances for doubtful accounts of \$1,865,000, and to officers, directors and employees of \$1,431,000. These advances are unsecured although sales commissions due to the sales representatives are partially offset against their advances.

The following paragraphs contain summary information concerning certain loans and guarantees outstanding as of December 31, 1969, as to which more specific identification of persons and individual amounts applicable to each person involved has not been presented because banking laws in several of the countries where the banking subsidiaries operate contain restrictions on such disclosures.

The unconsolidated commercial banking subsidiaries of IOS have made loans to officers, directors, employees and sales representatives of IOS and its affiliates. Such loans are included in the banks' regular loan portfolios and separate accounts for the totals thereof are not required to be shown in the banks' records. Based upon summary information provided by officers of the banks having legal access authority to the detail accounts, these loans at December 31, 1969, aggregated approximately \$6,700,000 of which \$3,400,000 was due from officers and directors. Substantially all such loans are guaranteed by IOS. Collateral consisted largely of common stock of I.O.S., Ltd. and Investors Overseas Services Management Limited (publicly traded issues).

Various commitments and contingent liabilities in connection with banking operations, principally guarantees of loans, of approximately \$8,200,000 were outstanding as of December 31, 1969, including substantial amounts relating to officers and directors of IOS and its affiliates.

As of May 29, 1970, the amount of restricted cash in blocked accounts had been increased by approximately \$6,000,000, mostly at a subsidiary bank, as security for various loans and guarantees.

Many of the loans and guarantees described above were made on the basis of IOS' shares or Investors Overseas Services Management Limited shares owned by the individuals involved. The quoted market prices of the publicly traded issues of these companies have declined substantially since December 31, 1969.

Certain other loans receivable and restricted deposits supporting loans at non-affiliated banks, made by unconsolidated subsidiaries from amounts advanced by IOS, are summarized as follows as of December 31, 1969:

Loans to and restricted supporting deposits for equipment leasing and oil and gas joint ventures and partnerships in which officers and directors of IOS and its affiliates are principal venturers.	\$8,311,000
Certain loans used principally for the purchase of IOS common shares	

I.O.S., Ltd. and Subsidiaries

which were pledged as collateral. Payments received in May 1970 completely eliminated the balances outstanding.	\$2,843,000
Loans, as to which specific identification is set forth in Note 11 as authorized by the borrowers.	\$4,706,000
Management believes that the position of IOS in these loans is adequately secured.	

In connection with an oil and gas venture, included above, a subsidiary signed a promissory note in an amount of \$10,620,000, representing 75% of the purchase price of the net operating profits interests in production from certain oil and gas leases. Management,

upon advice of house counsel, has expressed the opinion that the subsidiary was acting as an agent and is not liable as a result of this transaction.

While the management of IOS believes that adequate reserves have been provided, collection on the loans and advances and determination of any liabilities resulting from the guarantees set forth in this note may be dependent upon future events not determinable at this time. In view of these contingencies and the matters set forth in Note 7, IOS Financial Holdings Limited established a \$4,000,000 reserve which is reflected in these consolidated statements as a reduction in the equity in earnings and net assets of that unconsolidated subsidiary.

9. Commitments and Contingencies

Commitments on construction contracts for office facilities, principally a building in Geneva, amounted to approximately \$3,500,000 as of December 31, 1969. There were no significant firm commitments at that date with respect to other major office building projects planned in Nyon, Switzerland, and Ferney-Voltaire, France. The Company has committed \$200,000 as of December 31, 1969, as a contribution through 1971 toward the construction of an international school in Ferney-Voltaire, France.

As of December 31, 1969, lease commitments for office facilities of consolidated and unconsolidated subsidiaries included three leases with total annual rentals of \$226,000 extending for 22 to 40 years, one lease with an annual rental of \$221,000 to the year 2058, and a number of other leases expiring after more than one year and extending over ten years or less with total rentals of \$8,100,000 for the entire remaining lease terms.

Reference is made to Notes 4, 7 and 8 for certain guarantees and other contingencies.

From time to time, individual shareholders of IOS have borrowed money from unaffiliated banking institutions, primarily located in Switzerland, and have pledged preferred shares of IOS either as sole or partial collateral for such loans. IOS has from time to time confirmed in writing to some, but not all, of such institutions that IOS's prior policy of arranging for repurchase under The IOS Stock Option Plan, at the then current formula

value price per share, of all preferred shares offered to it for repurchase, was not intended to be changed without giving the banks prior notice of varying durations. The exact amount of loans outstanding cannot be ascertained because the banking laws of Switzerland and other jurisdictions prevent the determination, without the permission of the borrower, of the extent of accumulated interest on any loan, or the amount of principal which may have been repaid. For the same reason, it is impossible to ascertain the extent to which such loans may be secured by collateral in addition to such IOS preferred shares. In addition, in each individual case, the amount of responsibility, if any, which IOS may have for arranging for repurchase of shares is the lower of (a) the value of the shares pledged (which may be considerably less than the amount of loan) or (b) the principal amount of the loan, plus accrued interest. Although the extent of responsibility, if any, of IOS to arrange for repurchase of shares is limited by all of the foregoing factors, the maximum aggregate principal amount of loans with respect to which such letters have been issued was, at December 31, 1969, approximately \$5,200,000. Swiss counsel has advised IOS that the aforesaid letters do not constitute a guarantee under the laws of Switzerland, but have not as yet rendered an opinion as to the legal effect of the expression of intent contained in the letters, although they have advised IOS that various defenses are available to IOS if it should choose to contest liability.

10. Statement of Changes in Working Capital

Consistent with past practice, a statement of changes in working capital is not presented as a part of the accompanying financial statements. Such statement is omitted since total assets and liabilities consist primarily of

current items plus investments in and receivables from unconsolidated subsidiaries and stockholders' investment, as to which the changes from 1968 to 1969 are set forth in the statements and Notes 1 and 3.

11. Subsequent Events

Unaudited information prepared by IOS indicates that operations for the first quarter of 1970 have been at a loss and management believes that the loss is continuing to the date of this report.

Under the terms of an agreement dated February 12, 1970, IOS purchased the business and assets of Canadian Channing Corporation, manager of three Canadian open-end investment companies, for Canadian \$7,000,000 in cash.

On May 11, 1970, IOS entered into a letter agreement under which, as amended, King Resources Company loaned IOS \$8,000,000 due May 31, 1971, with 4,000,000 shares of the capital stock of Investors Overseas Services Management Limited, a subsidiary of IOS, pledged as collateral for the loan. An English subsidiary of King Resources Company was issued warrants for the purchase of 1,500,000 shares of the preferred stock of IOS at \$4 per share, exercisable at any time to June 30, 1973. Under the agreement, the English subsidiary is entitled to designate three members of the IOS Board of Directors. Certain funds sponsored and managed by IOS have purchased natural resource properties and related services from King Resources Company and its affiliate, The Colorado Corporation, vendors and sellers of such items to other investors as well as the IOS-sponsored funds. These companies are co-venturers also with ownership risk in most of the properties. As of December 31, 1969, certain of the IOS-sponsored mutual funds

held in their portfolios significant amounts of the securities of these companies, most of which had been purchased by the funds in 1968 and in the first seven months of 1969. Joint ventures and partnerships in which certain officers and directors of IOS are principal venturers have purchased natural resource property interests and equipment lease management services from The Colorado Corporation.

A trust established under the laws of the Bahamas for the benefit of the family of Mr. John M. King has, from time to time, borrowed monies from banks which are subsidiaries of IOS. Mr. King is neither a beneficiary nor a trustee of this trust. A portion of the proceeds of the loans was used to purchase IOS common and preferred shares. The loans, which aggregated approximately \$4,700,000 at December 31, 1969, and approximately \$6,700,000 at April 30, 1970, were repaid in full in May 1970 prior to Mr. King's offer of financial assistance to IOS. At the same time, Mr. King reduced a personal loan at an IOS subsidiary bank to \$1,835,000. Mr. King's loan was not used to purchase shares of IOS. Insofar as the information in this paragraph relates to the trust, it has been provided and authorized for inclusion in these financial statements by one of the beneficiaries of the trust; and insofar as the information relates to Mr. King, he has provided and authorized it for inclusion herein.

Auditors' Report

To the Board of Directors and Stockholders, I.O.S., Ltd.:

We have examined the consolidated balance sheets of I.O.S., LTD. [a Canadian corporation and successor to I.O.S., Ltd. (S.A.)] AND SUBSIDIARIES as of December 31, 1969 and 1968, and the related statements of consolidated income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Summary information is set forth in Note 8 concerning certain loans and guarantees outstanding as of December 31, 1969. Disclosure of more specific identification of persons and individual amounts applicable to each person involved is, in our opinion, necessary to make the accompanying financial statements complete; however, the Company is unable to present such information because banking laws in several of the countries in which its banking subsidiaries operate contain restrictions on such disclosure.

In our opinion, subject to the effect on the consolidated financial statements as of December 31, 1969, of (a) certain investment valuations underlying the determination of advisory fees from proprietary funds discussed in Note 6 and (b) adjustments which may be required to reflect losses, if any, on the loans, advances, guarantees and promissory note discussed in Notes 7 and 8, and except for the omission of disclosure of specific identification referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of I.O.S., Ltd. and Subsidiaries as of December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & Co.

Zurich, Switzerland,
June 1, 1970.

IOS Financial Holdings Limited and Subsidiaries

Consolidated Balance Sheets—December 31, 1969 and 1968

Assets	1969	1968 Restated (Note 1)
	(000 omitted)	
Cash and Due from Banks , including time deposits of \$14,050,000 in 1969 and \$14,805,000 in 1968	\$ 65,522	\$ 44,368
Securities		
Non-affiliated issuers, at quoted prices or at cost for issues not traded	3,262	5,349
Investors Overseas Services Management Limited, an affiliate, at quoted market price, as of December 31, 1969 (Note 4)	1,367	35
Other affiliates	1,997	—
	<u>6,626</u>	<u>5,384</u>
Due from Commercial Banking and Acceptance Customers		
Demand accounts	18,209	6,792
Loans	27,761	13,144
Customers' loans of IOS Acceptance Company Limited	20,898	18,850
Officers, directors and employees of I.O.S., Ltd. and affiliates (Note 6)	6,712	938
Interest and other	5,339	2,446
	<u>78,919</u>	<u>42,170</u>
Less—Reserve for losses	1,819	322
	<u>77,100</u>	<u>41,848</u>
Receivable from Affiliated Companies and Mutual Funds	10,773	611
Note Receivable from sale of Pension Life Insurance Company , collected in 1970..	2,000	2,000
Other Loans and Advances , due to subsidiaries other than those engaged in commercial banking—		
Due from Commonwealth Overseas N.V. (Note 5)	8,403	—
Other, principally directors and officers of I.O.S., Ltd. and affiliates (Note 6)	15,860	—
Other Assets		
Property and equipment, at cost, less accumulated depreciation		
of \$507,000 in 1969 and \$190,000 in 1968	3,213	319
Excess of cost over underlying book value of consolidated subsidiaries (Note 1)	4,652	183
	<u>\$ 194,149</u>	<u>\$ 94,713</u>

The accompanying notes are an integral part of these balance sheets. All amounts are stated in U.S. dollars.

Liabilities and Stockholder's Investment	1969	1968 Restated (Note 1)
	(000 omitted)	
Deposits		
Demand accounts	\$ 62,584	\$ 21,259
Time accounts	14,572	11,585
From affiliates	19,283	12,243
	<u>96,439</u>	<u>45,087</u>
Due to Banks		
Demand accounts	19,103	7,140
Time accounts	2,411	2,766
Loans of IOS Acceptance Company Limited, as to which customers' securities are pledged	18,840	17,525
	<u>40,354</u>	<u>27,431</u>
Other Liabilities		
Due to brokers	5,208	—
Cashier's checks	2,776	3,566
Affiliated companies	2,692	3,495
Other	5,000	3,349
	<u>15,676</u>	<u>10,410</u>
Advances from I.O.S., Ltd. (parent company) to the Company and subsidiaries other than those engaged in commercial banking	24,632	2,239
Reserve for Possible Losses (Notes 5 and 6)	4,000	—
Commitments and Contingencies (Note 4)		
Stockholder's Investment		
Capital stock, authorized 75,000 shares, par value 1,000 Swiss francs per share, issued and outstanding 50,000 shares in 1969 and 31,084 shares in 1968.....	11,628	7,228
Consideration received in excess of par value	145	145
Legal and special reserves	664	—
Retained earnings (Note 3)	611	2,173
	<u>13,048</u>	<u>9,546</u>
Total stockholder's investment	<u>\$ 194,149</u>	<u>\$ 94,713</u>

IOS Financial Holdings Limited and Subsidiaries

Statements of Consolidated Income (Loss) for the Years Ended December 31, 1969 and 1968

	1969	1968 Restated (Note 1)
	(000 omitted)	
Income		
Interest, including \$572,000 in 1969 and \$71,000 in 1968 from affiliates (Note 2)	\$ 13,564	\$ 4,193
Commissions, including \$780,000 in 1969 and \$651,000 in 1968 from affiliates	2,477	2,880
Gain on sale of securities, net	961	264
Tender fees	975	472
Underwriting fees	1,633	240
Other	867	385
	<u>20,477</u>	<u>8,434</u>
Expenses		
Administration, including in 1969, \$2,541,000 provision for loan losses (Note 5)	9,135	2,605
Interest, including \$1,226,000 in 1969 and \$117,000 in 1968 to affiliates	5,713	1,718
Provision for depreciation and amortization	403	333
Commissions	169	71
	<u>15,420</u>	<u>4,727</u>
Income before taxes and provision for possible losses	5,057	3,707
Income and Capital Taxes (Note 3)	1,109	299
Income before provision for possible losses	3,948	3,408
Provision for Possible Losses (Notes 5 and 6)	4,000	—
Net Income (Loss)	<u>(\$ 52)</u>	<u>\$ 3,408</u>

Statements of Consolidated Retained Earnings for the Years Ended December 31, 1969 and 1968

	1969	1968 Restated (Note 1)
	(000 omitted)	
Retained earnings, beginning of year	\$ 2,173	\$ 2,189
Add (Deduct) —		
Net income (loss)	(52)	3,408
Transfer to legal and special reserves	(664)	—
Transfer to capital stock of retained earnings of acquired companies as of December 31, 1967 (Note 1)	—	(355)
Dividends paid to I.O.S., Ltd. by Liquidations Limited (Note 1)	(846)	(3,069)
Retained earnings, end of year (Note 3)	<u>\$ 611</u>	<u>\$ 2,173</u>

The accompanying notes are an integral part of these statements. All amounts are stated in U.S. dollars.

1. Corporate Reorganization and Consolidation Principles

IOS Financial Holdings Limited (the "Company") was incorporated on March 29, 1968 and acquired its investments for stock from I.O.S., Ltd. in 1968 at a price equal to the net assets of the acquired companies as of December 31, 1967. As of June 30, 1969, the Company acquired for stock substantially all of the operating assets (subject to certain liabilities) and business of Liquidations Limited from I.O.S., Ltd. The financial statements as of December 31, 1968 have been restated to consolidate this entity retroactively.

The accompanying consolidated financial statements reflect the accounts of all subsidiaries for all periods.

During 1969, the Company acquired a 96% interest in Banca Provinciale di Depositi e Sconti S.p.A. ("Probanca") for cash. This acquisition has been accounted for as a purchase and the accompanying statement of income for the year ended December 31, 1969 includes the operations of Probanca (which are not material to consolidated operations) from January 1, 1969 to December 31, 1969. Of the total purchase price paid, \$4,474,000 has been assigned by the Company to "Excess of cost over underlying book value of consolidated subsidiaries" in the accompanying balance sheet at December 31, 1969. It is the intention of the Company to allocate a portion of the above amount to the property, principally land, acquired on the basis of replacement market value as determined by independent appraisers. The Company does not presently intend to amortize the remainder because it is believed to have continuing value.

As of December 31, 1969, the subsidiaries engaged in commercial banking were Overseas Development Bank (Geneva), Orbis Bank GmbH (Munich), Probanca

(Milan) and to a more limited extent Investors Bank Luxembourg, S.A. Branches are maintained in other cities. Many of the customers of Overseas Development Bank, which is the largest bank, hold IOS Investment Programs and borrow from the bank on the basis of mutual fund shares purchased under the Program. Another subsidiary, IOS Acceptance Company Limited, is engaged in the business of making loans to individuals using shares of IOS-sponsored mutual funds as collateral.

The Company's other subsidiaries have been principally engaged in financial activities, many of which relate to IOS-sponsored mutual funds, including underwriting and private placements of securities purchased by the funds, receiving soliciting dealer fees in tender offers accepted by the funds, sharing in brokerage commissions on transactions of the funds on exchanges where permitted and arranging stock loan transactions described in Note 2. These other subsidiaries have also made certain loans and advances, largely from funds obtained from I.O.S., Ltd., the parent company, including those set forth in Notes 5 and 6.

All subsidiaries are wholly-owned with the exception of Orbis Bank GmbH and Probanca in which there are minority interests of 10% and 4%, respectively. The amount of minority interest in these companies is not material and is included in "Other liabilities" in the consolidated balance sheets and in "Administration expenses" in the statements of consolidated income.

Accounts of subsidiaries maintained in currencies other than U.S. dollars have been translated into U.S. dollars at standard rates of exchange which closely approximate the prevailing exchange rates.

2. Income from Stock Loan Activities

A subsidiary, Financial Institution Management N.V. ("FIM") makes loans of securities to members or allied members of the New York or American Stock Exchanges or the National Association of Security Dealers Inc. ("Brokers"). FIM obtains the securities from the portfolio of F.O.F. Proprietary Funds Ltd., ("FOF Prop," a wholly-owned subsidiary of The Fund of Funds, Limited, managed by a subsidiary of I.O.S., Ltd.) and lends such securities to brokers, which loans are collateralized by the deposits of cash to FIM's account. FOF Prop has a security interest in this account and a first lien, priority or

claim against a \$500,000 deposit of cash and/or commercial paper maintained by FIM in an affiliated bank outside the United States. FOF Prop also receives interest on the average monthly balance of cash deposits to be received by FIM for the loan of securities.

For the year 1969 the net income attributable to this activity after deduction of \$1,360,000 for FOF Prop's portion of the income was \$870,000, which is included in interest income. In prior years, income from these activities was included in an affiliate of the Company.

3. Taxes on Undistributed Earnings of Subsidiaries

In the event of dividend distributions by certain subsidiaries to the Company, such distributions would be subject to non-refundable withholding taxes deducted at source (ranging from 15% to 30%), which

have not been provided for in the accounts since in the opinion of management no taxable distributions are likely to be made.

IOS Financial Holdings Limited and Subsidiaries

4. Commitments and Contingencies

Lease commitments as of December 31, 1969, on leases for office facilities expiring in more than one year amounted to approximately \$3,300,000 for the entire remaining lease terms.

The Company is committed to increase its investment in the share capital of Probanca, the Italian commercial banking subsidiary, by approximately \$1,600,000.

The quoted market price of the shares of Investors Overseas Services Management Limited held by the Company as an investment has decreased substantially since December 31, 1969.

Reference is made to Notes 5 and 6 for certain guarantees and other contingencies.

5. Loans to Commonwealth Overseas N.V.

At December 31, 1969, one of the Company's Bahamian subsidiaries (not a commercial banking subsidiary) had outstanding loans of \$8,403,000 from Commonwealth Overseas N.V. which were guaranteed by its parent, Commonwealth United Corporation ("Commonwealth"). In 1970, this subsidiary guaranteed, as to principal and interest, a note of Commonwealth to a third party in the amount of \$3,000,000. The loans are collateralized by security interests, subject to certain prior interests granted by Commonwealth, in certain assets of Commonwealth. Should Commonwealth be unable to repay its indebtedness, collection will depend upon the realization of the Company's security positions in the assets of

Commonwealth. In the opinion of management it is not possible at this time to determine the ultimate realization on this loan.

During 1969 reserves were provided on all uncollateralized loans to Commonwealth, resulting in a provision of \$1,129,000 which is included in the 1969 statement of consolidated income, as administration expense.

In view of contingencies with respect to this loan and the matters set forth in Note 6, the Company's subsidiary established a \$4,000,000 reserve for possible losses which is reflected in these consolidated statements as a separate item reducing earnings.

6. Certain Loans and Guarantees

The following paragraphs contain summary information concerning certain loans and guarantees outstanding as of December 31, 1969, as to which more specific identification of persons and individual amounts applicable to each person involved has not been presented because banking laws in several of the countries where the banking subsidiaries operate contain restrictions on such disclosures.

The commercial banking subsidiaries have made loans to officers, directors, employees and sales representatives of IOS and its affiliates. Such loans are included in the banks' regular loan portfolios and separate accounts for the totals thereof are not required to be shown in the banks' records. Based upon summary information provided by officers of the banks having legal access authority to the detail accounts, these loans at December 31, 1969, aggregated approximately \$6,700,000 of which \$3,400,000 was due from officers and directors. Substantially all such loans are guaranteed by IOS. Collateral consisted largely of common stock of I.O.S., Ltd. and Investors Overseas Services Management Limited (publicly traded issues) the quoted market prices of which have declined substantially since the end of 1969. In May 1970, I.O.S., Ltd. agreed to the blocking of \$5,000,000 of its deposit account at one of the banks as security for its guarantees.

Certain other loans receivable, made by Bahamas and Curacao subsidiaries (not engaged regularly in commercial banking) from amounts advanced by IOS, are summarized as follows, as of December 31, 1969:

Loans to and restricted supporting deposits for equipment leasing and oil and gas joint ventures and partnerships in which officers and directors of IOS and its affiliates are principal venturers.	\$8,311,000
Certain loans used principally for the purchase of IOS common shares which were pledged as collateral. Payments received in May 1970 completely eliminated the balances outstanding.	\$2,843,000
Loans, as to which specific identification is set forth in Note 11 to the financial statements of I.O.S., Ltd., as authorized by the borrowers.	\$4,706,000
Management believes that the position of IOS in these loans is adequately secured.	

In connection with an oil and gas venture, included above, a subsidiary signed a promissory note in an amount of \$10,620,000, representing 75% of the purchase price of the net operating profits interests in production from certain oil and gas leases. Management, upon advice of house counsel, has expressed the opinion that the subsidiary was acting as an agent and is not liable as a result of this transaction.

Various commitments and contingent liabilities in connection with banking operations, principally guaran-

tees of loans, of approximately \$8,200,000 were outstanding as of December 31, 1969, including amounts relating to officers and directors of IOS and its affiliates.

While the management of the Company believes that adequate reserves have been provided, collection on the loans and determination of any liabilities resulting from the guarantees set forth in this note may be

dependent upon future events not determinable at this time. In view of these contingencies and the matters set forth in Note 5, the Company's subsidiary established a \$4,000,000 reserve for possible losses which is reflected in these consolidated statements as a separate item reducing earnings.

Auditors' Report

To the Board of Directors and Stockholder, IOS Financial Holdings Limited:

We have examined the consolidated balance sheets of IOS FINANCIAL HOLDINGS LIMITED (an English corporation and wholly-owned subsidiary of I.O.S., Ltd.) AND SUBSIDIARIES as of December 31, 1969 and 1968, and the related statements of consolidated income (loss) and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries but we were furnished with reports of other auditors thereon.

Summary information is set forth in Note 6 concerning certain loans and guarantees outstanding as of December 31, 1969. Disclosure of more specific identification of persons and individual amounts applicable to each person involved is, in our opinion, necessary to make the accompanying financial statements complete; however, the Company is unable to present such information because banking laws in several of the countries in which its banking subsidiaries operate contain restrictions on such disclosures.

In our opinion, based upon our examination and the reports of other auditors as referred to in the first paragraph above, subject to the effect on the consolidated financial statements as of December 31, 1969, of any adjustments which may be required to reflect losses, if any, on the loans, guarantees and promissory note discussed in Notes 5 and 6, and except for the omission of disclosure of such specific identification referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of IOS Financial Holdings Limited and Subsidiaries as of December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change as explained in Note 1 to the consolidated financial statements.

ARTHUR ANDERSEN & Co.

Zurich, Switzerland,
June 1, 1970.

IOS Real Estate Holdings Limited and Subsidiaries

Consolidated Balance Sheets—December 31, 1969 and 1968

Assets	1969	1968 Restated (Note 1)
	(000 omitted)	
Current Assets		
Cash, including \$441,000 in 1969 and \$2,229,000 in 1968 in affiliated banks	\$ 533	\$ 2,316
Time deposits, including in 1969, \$880,000 in an affiliated bank	4,487	65
	<u>5,020</u>	<u>2,381</u>
Accounts receivable—		
Customers (Note 2)	8,871	12,450
I.O.S., Ltd. and subsidiaries	4,195	2,734
Investment Properties International, Limited and subsidiaries	5,149	709
Other	<u>173</u>	<u>31</u>
	<u>18,388</u>	<u>15,924</u>
Saleable property, at cost which is lower than market	843	163
Total current assets	24,251	18,468
Non-Current Customers Receivables (Note 2)	2,876	1,900
Investment —Investment Properties International, Limited, at cost (Note 3)	92	—
Furniture and Equipment , at cost (less accumulated depreciation \$24,000 and \$41,000)	114	198
Other Assets	98	48
	<u>\$ 27,431</u>	<u>\$ 20,614</u>

The accompanying notes are an integral part of these balance sheets. All amounts are stated in U.S. dollars.

Liabilities and Stockholder's Investment	1969	1968 Restated (Note 1)
	(000 omitted)	
Current Liabilities		
Contractors and suppliers	\$ 6,140	\$ 11,803
Investors Overseas Services Limited and other subsidiaries of I.O.S., Ltd.	5,577	3,109
The Hemispheres Development Corporation (Note 4)	8,283	57
Accrued liabilities	506	413
Total current liabilities	<u>20,506</u>	<u>15,382</u>
Deferred Commission Income (Note 3)	<u>1,171</u>	<u>2,300</u>
Stockholder's Investment (Note 1)		
Capital stock, authorized 6,000,000 shares at \$1.00 par value		
of which 3,032,302 and 2,932,400 are issued and outstanding	3,032	2,932
Retained earnings	<u>2,722</u>	—
Total stockholder's investment	<u>5,754</u>	<u>2,932</u>
	<u><u>\$ 27,431</u></u>	<u><u>\$ 20,614</u></u>

IOS Real Estate Holdings Limited and Subsidiaries

Statements of Consolidated Income and Retained Earnings for the Years Ended December 31, 1969 and 1968

	1969	1968 Restated (Note 1)
	(000 omitted)	
Revenues		
Commission income (Notes 3 and 4)	\$ 7,193	\$ 564
Sales	1,107	13,537
Management fees (Note 5)	619	—
Interest income, including \$116,000 in 1969 and \$66,000 in 1968		
from I.O.S., Ltd. and subsidiaries	372	207
Other	165	16
	<u>9,456</u>	<u>14,324</u>
Cost of Revenues		
Commissions to Investors Overseas Services Limited	2,977	1,473
Cost of sales	731	10,033
Selling expenses	539	189
Administrative expenses	2,487	895
	<u>6,734</u>	<u>12,590</u>
Net income	2,722	1,734
Retained earnings, beginning of year	—	1,195
Deduct—capitalization of prior years earnings (Note 1)	—	(2,929)
Retained earnings, end of year	<u>\$ 2,722</u>	<u>\$ —</u>

The accompanying notes are an integral part of these statements. All amounts are stated in U.S. dollars.

Notes to Consolidated Financial Statements, December 31, 1969 and 1968

1. Corporate Reorganization and Consolidation Principles

On June 28, 1969, IOS Real Estate Holdings Limited (the "Company"), a non-resident English company, originally established in March 1969, acquired I.O.S., Ltd.'s investment in Investors Development Corporation Limited ("Indevco") in exchange for 2,932,400 shares of its \$1.00 par value capital stock. The value of the stock exchanged was equal to Indevco's capital stock and retained earnings as of December 31, 1968. Such exchange has been retroactively reflected in the December 31, 1968 financial statements.

The accompanying financial statements are presented on the basis of the Company continuing the business and operations of Indevco and its subsidiaries. The accounts of the Company and its subsidiaries are fully consolidated, and all intercompany balances and transactions have been eliminated. Subsidiaries consolidated on the equity method at December 31, 1968, have been restated on a fully consolidated basis. This change had no effect on net income or retained earnings for any period.

2. Customers Receivables

The Company retains a lien against title for properties sold until full payment is received. Receivables on sales of land and residences represent approximately 92 per

cent of aggregate customer receivables at December 31, 1969 and 1968.

3. Commission Income

Prior to October 1968, the primary source of the Company's revenue was represented by sales of real estate developed by an unaffiliated company, with substantial control for overall project development being exercised by the Company. Commencing in October 1968, the Company's revenue was augmented by commissions on sales of condominium apartments which are being developed by The Hemispheres Development Corporation ("Hemispheres"), a subsidiary of Investment Properties International, Limited, a closed-end real estate investment company controlled by the Company.

During the year ended December 31, 1969, such commissions represented the Company's principal source of operating revenues. The commissions and applicable expenses are recognized at the rate of the percentage-of-completion of the related development. Commissions received in excess of recognized income, net of deferred commissions, selling and administrative expenses, aggregating \$1,541,000 in 1969 and \$2,092,000 in 1968, are shown in the accompanying balance sheets as deferred commission income.

4. Payable to The Hemispheres Development Corporation

Under the terms of agreements between subsidiaries of the Company and Hemispheres, the Company acts as exclusive Sales Agent for Hemispheres condominium apartments and as Collection Agent for monies paid by condominium apartment purchasers. The agreements state, among other things, that, in order to protect the interests of purchasers of apartments, the Agent shall retain the monies collected until Hemispheres completes the apartments and has furnished proof that it has

discharged its obligations under the purchase contracts and also that interest and other income earned on monies retained by the Agent belong to the Agent. Payments from condominium purchasers, after deduction of sales commissions to the Company of a stipulated percentage of the sales price of units sold, are shown as payables to Hemispheres in the accompanying balance sheet.

5. Management Fees

The Company earns incentive-based management fees for its management services rendered to both the Real Estate Growth Fund Account of The Fund of Funds,

Limited (a mutual fund controlled by I.O.S., Ltd.) and to Investment Properties International, Limited.

6. Dividend

On April 20, 1970, the Board of Directors declared a dividend of \$2,000,000 payable on April 21, 1970, to

I.O.S., Ltd., which owns 100 per cent of the outstanding shares of the Company.

Auditors' Report

To the Board of Directors and Stockholder, IOS Real Estate Holdings Limited:

We have examined the consolidated balance sheets of IOS REAL ESTATE HOLDINGS LIMITED (an English corporation and wholly-owned subsidiary of I.O.S., Ltd. and successor to Investors Development Corporation Limited) AND SUBSIDIARIES as of December 31, 1969 and 1968, and the related statements of consolidated income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of IOS Real Estate Holdings Limited and Subsidiaries as of December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change as explained in Note 1 to the consolidated financial statements.

ARTHUR ANDERSEN & Co.

Zurich, Switzerland,
June 1, 1970.

IOS Insurance Holdings Ltd. and Subsidiaries

Consolidated Balance Sheets—December 31, 1969 and 1968

Assets	1969	1968
	(000 omitted)	
Investments Relating to Equity Unit Account		
Marketable securities, at market value	\$126,628	\$106,420
Cash, less liabilities	22,229	7,787
	<u>148,857</u>	<u>114,207</u>
Less—		
Advance from general funds of the Company	(6,576)	(1,006)
Secured loan from non-affiliated bank	(202)	(1,007)
Capital gains tax equalization	—	(1,741)
	<u>142,079</u>	<u>110,453</u>
Other Investments		
Freehold and leasehold property	1,910	—
Mortgage loans to employees	291	—
Marketable securities, at cost (Market value \$1,390,000; 1968 - \$676,000)	1,195	499
	<u>3,396</u>	<u>499</u>
Cash (Note 2)		
Current accounts	1,601	644
Deposit accounts	13,265	10,169
	<u>14,866</u>	<u>10,813</u>
Total investments and cash	<u>160,341</u>	<u>121,765</u>
Receivables		
Due from reinsurers	314	268
Due from parent and affiliated companies	4,143	258
Other (including \$6,576,000 advance to Equity Unit Account; 1968 - \$1,006,000)	7,279	1,647
	<u>11,736</u>	<u>2,173</u>
Other Assets		
Advances to employees and agents	219	134
Prepayments and deposits	1,072	1,154
Equipment and leasehold improvements (at cost less depreciation of \$311,000; 1968 - \$187,000)	891	635
	<u>2,182</u>	<u>1,923</u>
	<u>\$174,259</u>	<u>\$125,861</u>

Approved on behalf of the Board of Directors :

The accompanying notes are an integral part of these balance sheets. All amounts are stated in U.S. dollars.

Liabilities and Stockholders' Investment**1969****1968**

(000 omitted)

Policy Reserves (Note 3)

Equity Unit Account	\$142,079	\$110,453
Other	6,905	3,592
	<u>148,984</u>	<u>114,045</u>

Current Liabilities

Bank overdrafts	459	—
Premium deposits on policy applications in process and prepaid premiums	4,438	4,621
Agents' commissions	593	694
Accounts payable and accrued liabilities	768	392
Policy claims	2,460	2,029
Taxation	635	448
Due to parent and affiliated companies	5,811	311
	<u>15,164</u>	<u>8,495</u>

Stockholders' Investment (Note 1)

Capital stock—

Authorized and outstanding - 20,000 shares of par value \$50 each at

December 31, 1968; at December 31, 1969, authorized 20,000,000 shares

of par value \$1.00 each, issued and outstanding 820,003 shares	820	1,000
Statutory reserve of subsidiary company	28	19
Consideration received in excess of par value	5,180	—
Retained earnings	4,083	2,302
	<u>10,111</u>	<u>3,321</u>
Total stockholders' investment	<u>\$174,259</u>	<u>\$125,861</u>

Richard M. Hammerman, Director
Elliott Adler, Director

IOS Insurance Holdings Ltd. and Subsidiaries

Statements of Consolidated Income and Retained Earnings for the Years Ended December 31, 1969 and 1968

	1969	1968
	(000 omitted)	
Premium Income	\$90,694	\$61,014
Interest and Investment Income (Gross)	1,295	580
	<u>91,989</u>	<u>61,594</u>
Deduct		
Reinsurance premiums	728	778
Commissions	9,735	5,781
Claims, net of reinsurance	2,342	1,241
Surrenders and withdrawals	10,381	7,221
Added to policy reserves (Note 3)	56,264	40,987
Other policy benefits	2,515	—
	<u>81,965</u>	<u>56,008</u>
	10,024	5,586
Selling, General and Administrative Expenses	<u>8,184</u>	<u>4,076</u>
Income before taxation	1,840	1,510
Taxation	<u>50</u>	<u>225</u>
Net income	1,790	1,285
Retained Earnings, beginning of year	2,302	1,024
Transfer to statutory reserve of subsidiary company	(9)	(7)
Retained Earnings, end of year	<u>\$ 4,083</u>	<u>\$ 2,302</u>

The accompanying notes are an integral part of these statements. All amounts are stated in U.S. dollars.

Notes to Consolidated Financial Statements, December 31, 1969 and 1968

1. Corporate Reorganization

On April 29, 1969, I.O.S., Ltd. acquired the three issued shares in an inactive, non-resident Canadian corporation whose name was changed to IOS Insurance Holdings Ltd. (the "Company") and whose authorized capital was increased to \$20,000,000 divided into 20,000,000 shares of \$1.00 par value each. Between April 30 and May 21, 1969, all of the issued capital of The International Life Insurance Company, S.A. ("ILI") was exchanged for 320,000 shares of the Company's capital stock; an additional 500,000 shares were also subscribed by the

shareholders of ILI, in proportion to their holdings, at a price of \$10.00 per share.

The accompanying financial statements are presented on the basis of the Company continuing the business and operations of ILI and reflect the Company's significant subsidiaries on a fully consolidated basis. Accounts maintained in currencies other than U.S. dollars have been translated into U.S. dollars at current or historical rates of exchange, as appropriate.

2. Cash

Cash includes \$4,601,000 at December 31, 1969, (1968 - \$1,803,000) deposited with affiliated banks.

3. Policy Reserves

The reserve on Equity Unit Account is required to be maintained under the Companies' Dover Equity Plan

policies. Other policy reserves have been determined by the Companies' actuaries at year-end.

The movement during the year was as follows:

	1969	1968
		(000 omitted)
Balance, beginning of year	\$114,045	\$ 49,702
Allocation, per statements of income	56,264	40,987
Dividends and interest (net)	1,590	499
Appreciation (decline) in market value of securities	(23,924)	24,958
Management and investment advisory charges	(732)	(360)
Capital gains tax equalization	1,741	(1,741)
Balance, end of year	<u>\$148,984</u>	<u>\$114,045</u>

4. Insurance in Force

The Companies had insurance in force at December 31, 1969, of \$1,221,296,000 (1968 - \$860,390,000) before reinsurance.

5. Commitments

The Equity Unit Account of the U.K. subsidiary is committed to further advances to a wholly-owned subsidiary included in its investments for development

of an office building in Kenya to a total of approximately \$3,340,000.

Auditors' Report

To the Board of Directors and Stockholders, IOS Insurance Holdings Ltd.:

We have examined the consolidated balance sheets of IOS INSURANCE HOLDINGS LTD. (a Canadian corporation, 78 per cent owned by I.O.S., Ltd. and successor to The International Life Insurance Company, S.A.) AND SUBSIDIARIES as of December 31, 1969 and 1968, and the related statements of consolidated income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included the count or direct confirmation with custodian banks of certificates evidencing investments and related underlying securities, and such tests of the accounting records and

such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of IOS Insurance Holdings Ltd. and Subsidiaries as of December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Zurich, Switzerland,
March 23, 1970.

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